

The Cost of Whistleblowing

Assessing the cost of whistleblowing failures to the public purse

February 2025



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Introduction

This new research takes as its starting point that whistleblowing is a social good, and that failing to listen to whistleblowers has negative impacts that ripple out from the individual to the employer to the country at large. A huge amount of academic research has been devoted to the devastating costs to whistleblowers as individuals speaking up to stop harm, in terms of their careers, finances, physical and mental health and family lives. Research has also identified the value of whistleblowing to employers, for example in identifying occupational fraud. However, this new research looks at the cost of whistleblowing failures to the public purse. Ultimately, when disasters occur in the public sector, it is the Government — or indeed the taxpayer — who pays for the cost of failure.

In this work funded by the Joseph Rowntree Charitable Trust, Protect has sought to calculate how much whistleblowing failures are routinely costing the public purse using a systematic approach. To do this, we developed an economic model to cost whistleblowing failures and applied it to three scandals of recent years: the Post Office Horizon IT scandal, the Countess of Chester Hospital/Lucy Letby scandal, and the collapse of construction company Carillion.

We have chosen these three high-profile cases to illustrate the range and scale of costs that ignoring whistleblowing can give rise to, but we could have chosen others from the Grenfell Tower tragedy to the Infected Blood scandal. Indeed, there will be many other cases which have not received similar public attention and yet have caused significant costs to the taxpayer. The three cases chosen include a public sector employer (NHS), a publicly owned but privately run employer (Post Office) and a private sector employer which contracted with the public sector.

All three cases chosen share features of failures which we witness from callers to our free, legal Advice Line — senior managers ignoring whistleblowers, often despite their persistence and whistleblowers being placated with ineffectual, box

ticking solutions rather than proper investigations. In the Post Office Horizon IT scandal and the Countess of Chester Hospital/Lucy Letby scandal the whistleblowers were also victimised for coming forward. Two of our studies also share a pattern of (often multiple) whistleblowing events that sought to warn of the problem before it became a crisis.

Our model supposes that, had whistleblowers been listened to at an appropriate point, then the eventual scandal might have been avoided. Of course, this can never be proved, but by calculating the costs that may have been avoidable along with the fallout costs of the three disasters, we hope to persuade the Government to take whistleblowing more seriously.

We are aware that the impact of the three scandals cannot just be measured in pounds and pence: people's lives have been ruined by the actions of the organisations at the centre of the scandals examined for this policy paper. Lives as well as jobs have been lost, and livelihoods destroyed, including by miscarriages of justice. Our hope is that by researching the financial cost of ignoring whistleblowers we can play a part in ensuring such scandals are not repeated in the future.

The scale of the costs is significant at times when there is extreme pressure on the public purse. We estimate the whistleblowing failures cost the Central Government **£177,967,265, £39,279,222 and £209,091,973** in the Post Office, Letby and Carillion scandals, respectively. At each point we have taken the more conservative estimates and the true values likely exceed our model derived estimates.

We have not included the opportunity costs of spending Government and Parliamentary time on avoidable scandals. Nor have we included the costs to other organisations, regulators, accountants and those in supply chains. Finally, we have not attempted to cost the impact on the lives of whistleblowers and others affected by the failures we have reviewed: these are incalculable.

Taken together, these three whistleblowing scandals alone cost the taxpayer £426,338,460.

This could have funded the construction of 14 new schools. It could have been spent on employing 1,440 doctors or 2,580 nurses for five years. At a time of tight public finances, such avoidable costs are opportunities missed.

Whistleblowers are a vital early warning system, but the problem of failing to listen to staff is not confined to these three scandals. Forty per cent of the 3,000+ callers to Protect's Advice Line in 2024 said that their concerns had been ignored. If the Government is to avoid unnecessary costs of whistleblowing failures in the future, then action is needed to change employers' behaviours. After more than 25 years since whistleblowing laws were introduced in the UK encouraging "speaking up", we have no shortage of whistleblowers stepping forward, often despite knowing that the consequences for them personally are bleak. They are keeping their side of the bargain — trying to act in the employers' best interest and identifying potential risks and harm. But without any duties on employers, the accountability gap remains.

This is why we call for a number of reforms including in three key areas.

First, to introduce a **duty on employers to investigate whistleblowing concerns** so that whistleblowers can no longer be ignored. This is vital to closing the accountability gap.

Second, to **expand the range of people in the workplace who qualify for whistleblowing protection**. Anyone who may suffer retaliation for raising public interest concerns in the workplace should know that the law stands by them.

Thirdly, we should **reframe whistleblowing and its importance to central Government**. This may mean giving the policy lead to Cabinet Office rather than focusing solely on employment rights. Whistleblowing affects every sector and every Government department and its value to upholding standards in public life, and holding the powerful to account should not be underestimated.

It is not possible to rewind the clock on the whistleblowing scandals we have studied. We cannot say for sure that our proposed reforms would have prevented these scandals. But strengthening whistleblowing protection now to enable whistleblowers to effectively speak up may prevent history from repeating itself in future. This will not only save employers and the taxpayer great expense, but pave the way for restoring the standards we need in public life.

With special thanks:

- Dr Emily Baker, chief researcher for the project
- Joseph Rowntree Charitable Trust
- Damien O'Flaherty, Director, Frontier Economics.

Protect

Protect is the UK's leading whistleblowing charity. Our goal is to stop harm by encouraging safe whistleblowing. We advise more than 3,000 individuals each year on our free, confidential legal Advice Line and have handled more than 50,000 cases since we were founded in 1993. We work with hundreds of employers every year helping them create good workplace cultures for speaking up.

Executive Summary

Here we provide a summary of the key findings when we applied the costing model to the three scandals. This is followed by an examination of each of the three scandals in detail and then by conclusions and recommendations for reform.



The Post Office Horizon IT Scandal



The Countess of Chester/ Lucy Letby Scandal

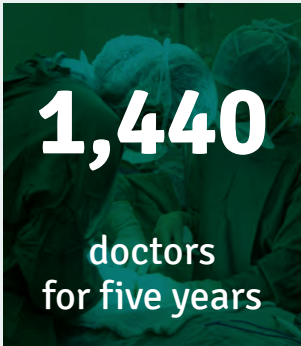


The collapse of Carillion

Overall costs to the public purse of ignoring whistleblowing across all three scandals

£426,338,460

These costs could have funded



Learning and recommendations

1. Failing to investigate whistleblower concerns

The three scandals we have examined show organisations more interested in placating whistleblowers than addressing the problems revealed to them. Instead of investigating the concerns being raised, they pursued a course of action that sought to protect the organisation and its senior leaders, rather than rectifying the failings, and improving things for the future. As a result, whistleblowers ultimately failed in their efforts to hold their organisations to account. The Countess of Chester Hospital went as far as putting in place a mediation scheme with Letby, requiring the whistleblowers to apologise to her and did not ask either of the external reviewers to consider the uncomfortable truth that there might be someone trying to harm patients. The Post Office created the now infamous mediation scheme which cost £58 million in compensation alone while refusing to accept Horizon errors were being relied on to secure the convictions of sub-postmasters. At Carillion the auditors who had already looked at the accounts were re-engaged and it was later found that they lacked the necessary independence to reassess the risks raised by the whistleblowers.

Recommendation: A legal duty on all employers to investigate whistleblowing concerns would prevent the dismissal of concerns and ensure serious public interest matters are not ignored.

2. A lack of protection

The legal protection for whistleblowers — which makes it unlawful to treat a whistleblower badly or dismiss someone for raising concerns — should be extended to everyone in the workplace.

Sub-postmasters are not included in current whistleblowing protection as they are not seen as workers. A miscarriage of justice is one of the concerns that whistleblowers can raise and receive the protection of employment law. Individual

sub-postmasters were raising concerns that they were being unfairly treated by the Post Office but they had no legal protection. Nor did the Post Office pay sufficient attention to those in its supply chain — whistleblowers in Fujitsu did not receive the attention they deserved. Following the Carillion scandal the Brydon Review recommended that those with a direct economic relationship, including shareholders and suppliers, should be protected as whistleblowers.

Recommendation: Broaden the scope of whistleblower protection to cover all those who need it, including sub-postmasters and those working in supply chains.

3. Failures at Board level

The three scandals show clearly there were failures at Board level to ask difficult questions, to intervene or to view effective whistleblowing as part of their role at the organisations.

The Post Office Board has been criticised as lacking in curiosity, and the Institute of Directors has characterised the scandal as a “failure of governance”. At Carillion the Board oversaw a culture where bad news and challenges were not welcomed, leading to an avoidance of dealing with difficult questions about how sustainable their business model was in the long run. Members of the Board at the Countess of Chester Hospital say that they were kept in the dark by the Executive over concerns about Lucy Letby.

Recommendation: All Boards should be required to appoint a whistleblowing champion who will be responsible for the whistleblowing system and culture that exists in the organisation. In public services, including the NHS, this should be underpinned by a system where senior managers and directors are held to professional standards, subjected to a fit and proper persons test and banned from holding senior managerial positions where it has been shown they have ignored or victimised a whistleblower.

4. Whistleblowing policy needs to be at the centre of Government

This paper considers the costs of accountability failures to the taxpayer. We propose that the Cabinet Office considers the recommendations from this report, as whistleblowing should have a central position across Government, rather than, as now, piecemeal reforms being introduced to the NHS, higher education, etc.

The importance of whistleblowing goes far beyond employment rights. Whistleblowers are essential to holding organisations to account, upholding the rule of law and protecting the public interest. Whistleblowers are vital across all Government sectors, yet debates about whistleblowing are largely confined to employment protections, focusing on the damage to the individual whistleblower (which is often appalling) rather than looking at the public interest issues they raise, or their important role in holding organisations — and Governments — to account.

Recommendation: The Cabinet Office should take the policy lead on whistleblowing to drive a more strategic and aligned approach which will benefit all departments, sectors and ultimately the public purse.

5. The importance of strong regulation

It is striking that in all three cases we have examined, no regulator was able to step in when the employer failed. To be effective in the whistleblowing arena, regulators need to be visible, well-resourced and have enforcement powers. Whistleblowers need to know where to take concerns and be confident that they will be protected by the regulator if they go to them.

The Carillion and Post Office scandals were ultimately uncovered by the media and Parliament, while it was the Police rather than a health regulator that investigated the Countess of Chester Hospital. While journalists and MPs play a vital role in exposing wrongdoing and failure, regulators should provide a vital backstop for whistleblowers, insisting on

investigations and holding organisations to account. In the cases we have studied, organisational cultures may have deterred whistleblowers from going outside of their employer (e.g. to a regulator) when they saw wrongdoing and their employer was not listening.

Recommendation: There needs to be a consistent approach to how regulators interact with whistleblowers who approach them and how they investigate whistleblowing concerns, to build confidence and ensure that they act as an effective whistleblowing channel.

6. Picking up the pieces

In each of our examples it is Central Government, rather than the organisations at the centre of the scandals, that has been left to pick up the pieces. Central Government has had to introduce a compensation scheme for those wrongly prosecuted in the Post Office scandal, to pay the costs of continuing public contracts in the wake of the collapse of Carillion, and to compensate families and victims for the crimes committed at the Countess of Chester Hospital.

For many years now, scandals have also been followed by public inquiries — funded by the taxpayer — which are intended to identify what went wrong and recommend change. However, time and again the same issues come up and recommendations are not legally binding. There is also no consistent way to monitor the implementation of recommendations: this role is often left to victims and civil society. It does no service to whistleblowers, victims or those who chair and support inquiries if the recommendations which arise out of failures and tragedies are ignored.

Recommendation: Parliament should establish a new committee to track and report on the implementation of recommendations that emerge from public inquiries.

Methodology

Overview

Our approach to analysing the true cost of a whistleblowing scandal to the public purse has been predominantly retrospective and we have calculated costs using publicly available information. In most cases costs have already been incurred, however estimates have been calculated where necessary using a relevant comparator. For example, we considered the cost of the Mid Staffordshire NHS Foundation Trust Public Inquiry when estimating the cost of the Thirlwall Inquiry: both are statutory public inquiries with similar terms of reference and both concern failings within the National Health Service.

Where possible, costs were determined using contemporaneous pricing information. Where costs were determined using pricing information from a different year, that price (in pound sterling) was converted to the relevant year's prices using the Bank of England's Inflation Calculator¹. Where reported estimates fall within a range (e.g., £10 to £40 million), for the purposes of final calculation, the lowest estimate in that range is used. Our costings are therefore on the conservative side, and the true cost of these three scandals may be significantly higher.

Costs have been obtained from a variety of publicly available sources and, where possible, cross-referenced with an additional source so as to confirm the figure. Sources are varied, but include mainstream news articles, Select Committee reports, and Inquiry papers. In addition, we submitted a number of Freedom of Information requests, not all of which have received responses. Details of all the sources used to calculate every cost identified in this paper can be found in the source tables available on request.

Where information and data was not publicly available, cost calculations have been based on information sourced through whistleblowers themselves. This was necessary in the case of certain costs because an insufficient level of detail existed in the public domain to generate an accurate estimate

and so further insight was required for any meaningful calculation. Where whistleblowers or other individuals assisted this investigation, this is indicated in the source tables. It is for this reason that Protect is grateful to Mark Baker, Tim McCormack, Ron Warmington, and Professor Richard Moorhead for their invaluable assistance.

We are also grateful to Tussell who gave us access to information regarding contracts between the Government and Fujitsu (for the Post Office analysis) and Carillion.

We asked Protect Trustee and Director of Frontier Economics, Damien O'Flaherty to consider our approach and assumptions and we are grateful to him for his advice and expertise.

The Unavoidable, Avoidable and Fallout (UAF) Costs Model

It should be defined at the outset that in focusing our research on the 'public purse', we mean the costs incurred by Central Government as well as to any public body or public sector organisation (including the NHS Hospital Trust) whose activities are largely funded by the taxpayer. While the Post Office is state-owned, it is run by an independent Board and is operated largely through franchised partners, so we have separated out the costs to the Post Office business.²

With no prior costing methodology, we have used an original approach to assess the costs within a structured framework.

Our model works on the basis that all whistleblowing scandals, including the three described here, share a basic timeline. Common to these timelines are certain costs which are invariably incurred. We identify that these costs fall into three broad categories: Unavoidable, Avoidable, and Fallout.

¹ Bank of England Inflation Calculator available at www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator

² The Post Office is a state-owned Public Corporation. The Government has traditionally provided Post Office Limited with both subsidy and investment funding and has, since the 2021/22 financial year, provided additional funding in relation to the Horizon IT scandal. The Post Office is wholly owned by the Secretary of State for Business and Trade and was constituted under the 2000 and 2011 Postal Services Acts.

UNAVOIDABLE COSTS

The first costs accumulated are those associated with the commencement of failures leading up to and culminating in the whistleblowing event — these are the **Unavoidable Costs (U)**. Unavoidable costs precede any whistleblowing event(s) and would have been incurred irrespective of the action taken by an employer. We have not included these costs in our totals in other chapters but identify them for completeness in the research on each case study.

AVOIDABLE COSTS

Following the whistleblowing event(s), there is a period in which the costs associated with the scandal continue to be accrued because the whistleblower has been ignored or their concerns have not been properly acted upon — this gives rise to **Avoidable Costs (A)**.

Avoidable costs also include those incurred to consciously silence the whistleblower, as well as covering up the concerns they raised. Avoidable costs would include the quantifiable damage to the reputation of any public sector organisation³ that were only incurred because the organisation in question failed to listen and act on the warnings raised by whistleblowers. For ease of calculation, and to standardise our three case studies, we took the earliest possible report of whistleblowing as the stage at which Avoidable costs began to be incurred.

In each of the cases, we consider these figures to be conservative and have not attempted to include the costs of reputational damage or loss of staff trust which are inevitable results of the scandals.

³ In the Post Office Horizon IT Scandal and the collapse of Carillion, several private sector organisations were intrinsically linked to the respective scandals such that their actions, or inactions, feature as part of the associated whistleblowing timelines. Some costs that they incurred as private organisations — as well as some costs that they did not incur — were seen as relevant to calculate using the approach described. However, any costs they incurred are not added to the costs paid by the taxpayer.

FALLOUT COSTS

Following the publication of the scandal in the press, the third and final category of costs incurred is associated with the variety of investigatory processes into the failings that led to it — **the Fallout Costs (F)**. Such costs include those incurred in the course of rectifying any failures exposed by the scandal, failures originally identified by the whistleblower(s) much earlier. Similarly, Fallout costs include expenses incurred to remedy any injury that listening to the whistleblower would have otherwise avoided.

Opportunity costs

In researching the costs, we have also identified a range of other “opportunity costs” which arise from the three scandals. We have not included these in our overall calculations. Each case required the Government, officials and Parliament to spend time responding to and debating the scandal. Select Committees also spent time and resources examining the events and fallout from the scandals. As Government, Parliament and civil service officials would have been employed and active in any event, the cost to the taxpayer is less apparent. However, time has been spent on avoidable scandals, rather than something else — the “opportunity cost” is the loss of alternatives when one path is chosen.

Applying UAF model to the case studies

We applied the UAF model to our three case studies, starting with the Post Office Horizon IT scandal, then the Countess of Chester and concluding with the collapse of Carillion.

The common themes that emerge from their subsequent comparison provide learning points for policy makers to look at to reform whistleblowing protection and policy.

Post Office Horizon IT Scandal

Background to the scandal

The Post Office Horizon IT scandal is now accepted as the largest miscarriage of justice in British history.

Despite how familiar it has become, the role that whistleblowers played in exposing the scandal is rarely spoken about. It is the aim of our work to both highlight their contribution to uncovering a gross injustice and to calculate the cost to the public purse that could have been spared had they been listened to.

The origins of the scandal lie with the installation of the Horizon IT system in Post Office branches up and down the country in the late 1990s. The intention of the new system was to enable sub-postmasters to more easily account to the Post Office for the money in their branches each week. Horizon, however, was not engineered by the Post Office — it was outsourced to the technology company, Fujitsu.

The Horizon software is now notorious for the severity and number of errors or ‘software bugs’ that it contained. Many of these bugs created accounting shortfalls whereby Horizon registered that a sub-postmaster had more money in their branch than they *actually* had. It was these bugs that created the basis for the prosecution of 736 sub-postmasters for the offences of theft, fraud and false accounting between the years of 1999 and 2015 — prosecutions brought by the Post Office itself. At that time, Horizon was thought to be robust, and so routinely, evidence from Horizon was used to successfully prosecute sub-postmasters. It took the now famous *Computer Weekly* article of 2009 by Rebecca Thompson to first expose the scandal.⁴

The cases followed a typical pattern. Horizon would register a shortfall in a sub-postmaster’s account, a shortfall that the Post Office would then contractually demand be made good by the sub-postmaster using their own money. Many complied, paying this fictional debt until they simply could not afford to do so. It was at this point the Post Office brought a criminal prosecution for the purposes of asset recovery.

The Role of the Whistleblower

Precisely when the Post Office learned of Horizon errors is contentious. Fujitsu, however, knew of Horizon bugs in 1999 during its development thanks to the anonymous whistleblowers from within its own development team⁵. The developers warned Fujitsu executives of bugs — that they were of a kind that could produce accounting shortfalls — yet their concerns were not acted upon. The whistleblowers were assured that no fault with Horizon existed and so it was rolled out that same year. For the purposes of this paper, we are considering October 1999 as the first whistleblowing event.

The number of prosecutions brought by the Post Office after introducing Horizon skyrocketed. There is evidence that concerns were raised at other points. For example, as early as 2000, concerns were raised about the Post Office targeting their investigative efforts particularly at Asian sub-postmasters. The whistleblower on this occasion was Amandeep Singh, a Horizon Helpdesk worker based in Wakefield, who became accustomed to receiving a relentless stream of calls from distressed sub-postmasters each week when they filed their accounts. Amandeep joined the Horizon team in October 2000 and left in September 2001.

The Post Office maintained that shortfalls were down to the actions of its sub-postmasters, either mistakes or theft, not only because Horizon was entirely robust but because they were steadfast in their position that only sub-postmasters could access their own accounts. The Post Office persistently denied that Fujitsu had remote access. This is now known not to have been true.

At least two people blew the whistle on remote access. First, Michael Rudkin, himself a former sub-postmaster and National Federation of Sub-Postmasters representative who witnessed Fujitsu engineers remotely accessing branch accounts (without sub-postmasters’ knowledge) on a visit to Fujitsu’s headquarters in Bracknell, Berkshire in 2008. Upon relaying this information to the Post Office,

⁴ Oates, J. (2009) ‘Bankruptcy, prosecution and disrupted livelihoods: Postmasters tell their story’, *Computer Weekly*, 21 May. Available at: www.computerweekly.com/news/2240089230/Bankruptcy-prosecution-and-disrupted-livelihoods-Postmasters-tell-their-story

⁵ Wallis, Nick (2022). *The Great Post Office Scandal*. Bath: Bath Publishing

Michael’s wife, Susan Rudkin, was convicted of theft shortly thereafter and Michael lost his job and union position. The second whistleblower was Richard Roll who worked at Fujitsu’s headquarters for three years, dealing with the problems of the Horizon system, and was one of the people who accessed the system remotely. Richard talked about remote access in an episode of the BBC’s Panorama programme in 2015, by which point he had left his job.

Another potential whistleblower was Fozia Rashid, a sub-postmaster who told the Post Office that the accounting errors she experienced were caused by Horizon. Fozia was removed as a sub-postmaster and, in the only case of its kind, took her case to the employment tribunal for whistleblowing dismissal in 2015. As the law does not currently cover self-employed contractors, a preliminary question for the tribunal would likely have been whether Fozia Rashid could bring a claim. However, her case settled before any hearing.

What is clear is that the whistleblowers in this scandal were ignored by both Fujitsu and the Post Office, leading both to the exposure of the scandal in the media — in the case of Richard Roll, and legal action in the case of the sub-postmasters. It appears that these concerns sat with senior managers and executives and were not considered sufficiently by the Board.

More generally, throughout the Post Office Horizon IT scandal, there have been staunch critics of the Post Office who have dedicated their lives to shining a light on the experiences of sub-postmasters. Conversations with two of them assisted this research greatly, namely Mark Baker⁶ and Tim McCormack⁷.

The Accountability Gap

Those who might have held either Fujitsu or the Post Office to account went unheard. Those with technical expertise at Fujitsu were ignored when speaking about risks when Horizon was built, and the Post Office was

too busy prosecuting sub-postmasters to listen to their concerns about the system overall. The Institute for Directors in their 2024 policy paper⁸ on the scandal criticised the Post Office Board for being insufficiently curious about the problems and not challenging the defensive “groupthink” among the executive team. Some “red flags” did not reach the Board, while others were insufficiently interrogated. From the Government’s perspective, the Board also failed to identify problems and risks and bring them to the attention of ministers, as might have been expected given that the Government was the main shareholder.

Finally, there is no obvious regulator that whistleblowers in Fujitsu or at the Post Office could have approached with concerns to step in and try to resolve the situation. The only options for whistleblowers were to take their concerns to Parliament (MPs being “Prescribed Persons”) or to the press.

Applying the UAF model to the scandal

Having outlined the key details of the scandal we now apply the model to see whether the cost to Central Government and the taxpayer could have been reduced if the whistleblowers had been listened to and their concerns acted on. We have excluded the costs to individual sub-postmasters and their families, which are incalculable.

UNAVOIDABLE COSTS
£0*
AVOIDABLE COSTS
£4,362,814
FALLOUT COSTS
£173,604,451
TOTAL COSTS TO THE TAXPAYER
£177,967,265
* This figure is excluded from the total as we are concerned only with avoidable and fallout costs.

6 Mark Baker assisted numerous sub-postmasters in their defence against the Post Office’s accusations.
7 Tim McCormack tried to alert the Post Office to Horizon errors over many years.

8 The Post Office Scandal — A Failure of Governance, Institute of Directors 2024 accessed via their website www.iod.com/resources/governance/the-post-office-scandal-a-failure-of-governance/

Post Office Horizon IT Scandal Costs

UNAVOIDABLE COSTS

For Central Government there are no unavoidable costs: whistleblowers were already alerting Fujitsu of problems with Horizon during the development stage, and we have assumed that this is the first whistleblowing event. We have also assumed for the same reason that the Post Office has not faced any unavoidable costs.

total	£0
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AVOIDABLE COSTS

We have considered calculable costs to Central Government and to the Post Office in this section. We have excluded any costs to private companies such as Fujitsu (for example, the loss of an estimated £2.4 billion contract with the Post Office) and we have excluded the rollout of the failed Horizon system (arguably a wasted cost).

Cost to Central Government

Imprisonment	£4,362,814	The human impact of imprisoning 236 sub-postmasters over the course of the scandal is unimaginable. For this position paper there is also tangible cost to the public purse associated with the imprisonment. A further cost that might be included as “avoidable” is the Government funding of the National Federation of Sub-Postmasters (NFSP) which amounted to £37,500,000 over 15 years (from 1999 to 2024). Originally seen as a trade union, now a professional trade association, the NFSP was shown to have been insufficiently independent of the Post Office to challenge the flaws with Horizon or the unfair prosecutions. As we are unable to separate out the costs associated with the Horizon failures and prosecutions from other work carried out by the NFSP, we have taken a conservative view and not included this cost in our final calculation.
total	£4,362,814	

Costs to The Post Office

Prosecution	£5,206,148	During its time as a prosecutor from 1999 to 2015, the Post Office spent £5,206,148 on prosecuting sub-postmasters. This, however, pales in comparison to the total of £256,946,000 it has spent on its own lawyers over the years (according to a FOI request). It is difficult to allocate these between Avoidable and Fallout costs, so we have chosen to include them within the Fallout costs. However, examples of avoidable costs include the costs of defending Fozia Rashid's claim (estimated at £12,662) and the initial legal fees such as the two Clarke advices (estimated at £7,405) and the two Altman Reviews (estimated £6,625).
Costs of managing concerns		
Project Sparrow	£1,915,290	The Post Office spent £1,915,290 on Project Sparrow which was an internal working group dedicated to ‘managing’ the concerns raised by sub-postmasters and used forensic accountants, Second Sight. The explosive two-part report produced by Second Sight alerting the Post Office to the precarious basis on which the convictions they were bringing cost £412,606. The Post Office also commissioned Deloitte in 2014 to consider the Post Office's own “Assurance work” in looking at the integrity of Horizon.
Second Sight investigation	£412,606	
Deloitte consultation	£100,000	
total	£7,634,044	
Horizon generated shortfalls	£25,907,934	Once the Post Office ceased prosecuting its own sub-postmasters in 2015, the cost of Horizon-generated shortfalls ultimately fell on the Post Office at a cost of £25,907,934. Arguably this is an accounting correction rather than cash lost to the Post Office: but it is unclear whether these fictional debts were written off. We have not included these shortfalls in our overall calculations. We have not included the Crown Offices losses (£2,200,000) which occurred in 2007-8 and have not been explained — these may also be attributable to Horizon failures. We have not included the cost of rolling out Horizon in all its various forms over the years, estimated at £1,000,000,000, as some IT system would have been necessary so we have identified this as an opportunity cost. Our figures are therefore very conservative, but the Post Office cannot be said to have spent its own money wisely in so far as Horizon goes.

FALLOUT COSTS

Cost to Central Government

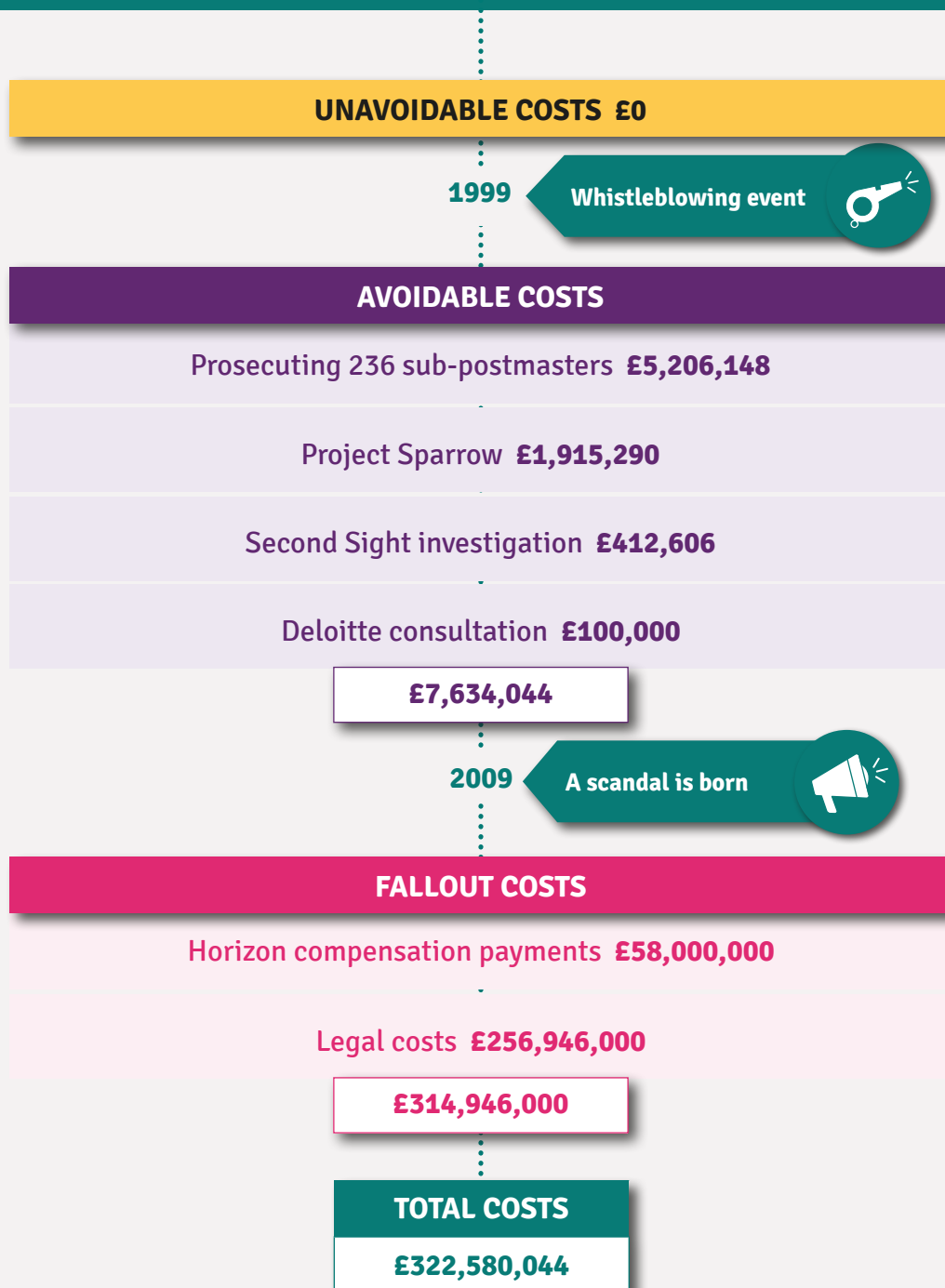
Horizon compensation payments	£138,000,000	The taxpayer has subsidised the Horizon compensation payments and this figure is set to rise in future.
Cost of the inquiry	£21,939,014	At the time of writing the inquiry is ongoing
Legal costs	£11,600,000	These costs were awarded to Addleshaw Goddard to advise on a compensation scheme and to Eversheds Sutherland to provide legal advice and representation to UK Government Investments in relation to the Post Office Horizon IT Inquiry.
CCRC cost	£681,991	The Criminal Cases Review Committee (CCRC) considered the convictions of the sub-postmasters
Cost of bringing Acts into force	£1,383,446	Costs related to bringing two acts into force (Post Office (Horizon System) Compensation Act 2024 and Post Office (Horizon System) Offences Act 2024) are estimated at £663,446 and £720,000 respectively.
		We have not included the time spent by Government Ministers, MPs or officials on Select Committee investigations, Parliamentary Questions and debates as these are opportunity costs, but it is noteworthy that the dedicated Select Committees alone cost over £989,000.
total		£173,604,451

Costs to The Post Office

Compensation awards	£58,000,000	The Post Office paid around £58m in compensation awards following the initial litigation (Bates & others v Post Office Limited [2019])
		At the time of writing, it should be noted that Fujitsu have not contributed to the Horizon compensation payments.
Legal costs	£256,946,000	As set out in the FOI request. We have not attempted to split these legal costs between Avoidable and Fallout costs
total		£314,946,000

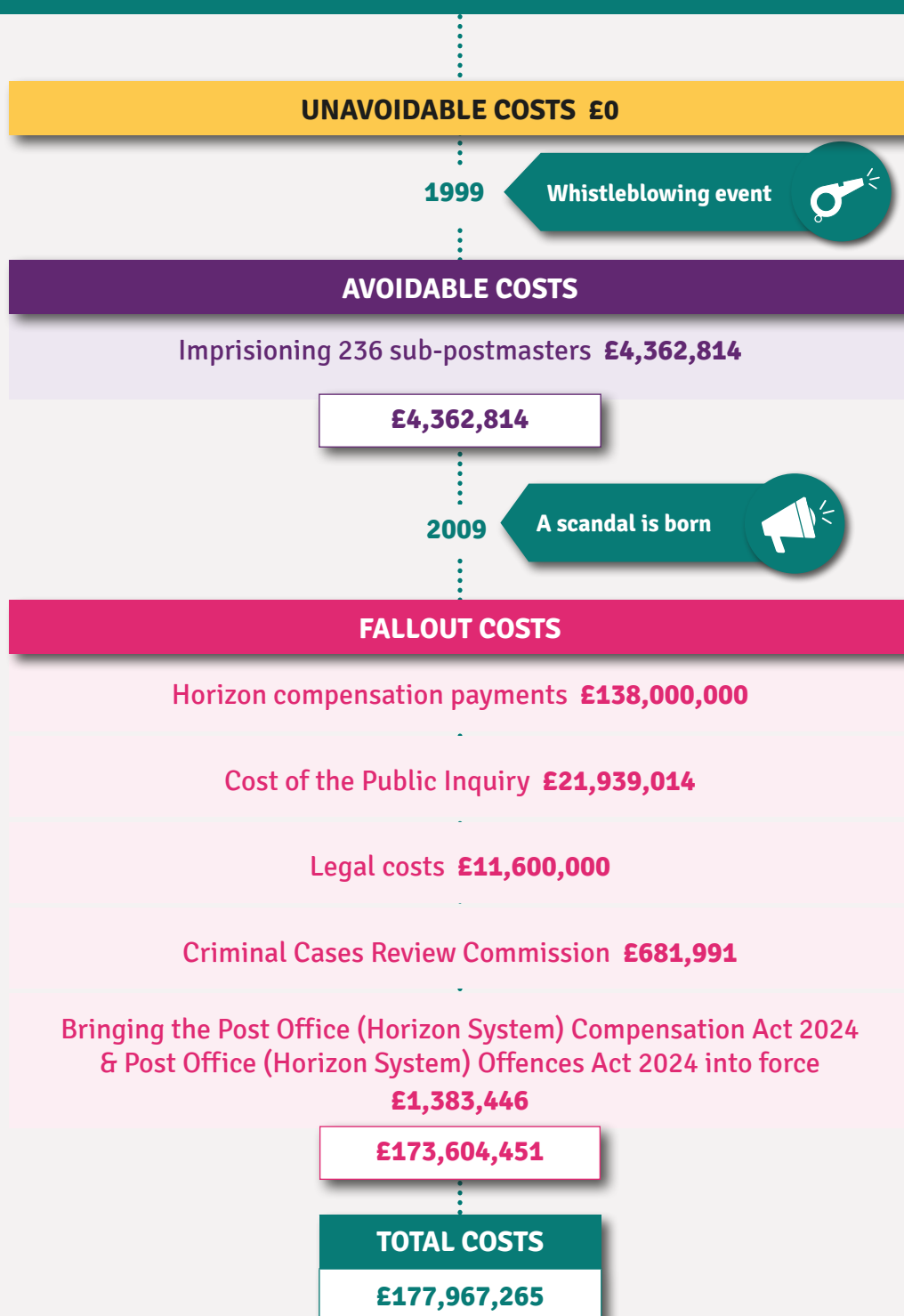
The Post Office Horizon IT Scandal

Costs to the Post Office



The Post Office Horizon IT Scandal

Costs to Central Government



The Countess of Chester Hospital/Lucy Letby Scandal

Background

On the 18th of August 2023, Lucy Letby was convicted of murdering seven babies and attempting to murder six others. The prosecution said that Letby leveraged her position as a nurse responsible for the wellbeing of babies on the neonatal unit at the Countess of Chester Hospital to commit those crimes.

According to the prosecution case, Letby's offending commenced in June 2015 and continued until June 2016. During that time, Letby's colleagues went to considerable efforts to escalate their suspicions — eventually demanding Letby be removed from her job on the neonatal unit altogether.

The whistleblowers in Letby's case were persistent, yet the Executive viewed the concerns as obstructive and personal towards Letby leading to an overly cautious approach to the concerns. Had they been listened to, a lot of Fallout Costs and the cost of a lengthy public inquiry could have been avoided but, most importantly, lives could have been saved.

The Role of the Whistleblower

On the 2nd of July 2015⁹, Dr Stephen Brearey, the lead clinician on the neonatal unit, alerted Letby's boss and Director of Nursing, Alison Kelly, that there was an association between Letby's presence on the unit and three deaths that had occurred. However, Dr Brearey's concerns were not acted upon.

Following a further string of unexplained deaths on the neonatal unit, Dr Brearey once again raised concerns, along with fellow consultant, Dr Ravi Jayaram. Once again, no action was taken in response to their suspicions about Letby. Rather, Dr Jayaram was reportedly told "not to make a fuss". Letby would go on to be convicted of one murder and four attempted murders that took place within this timeframe.

By February 2016, Dr Brearey ordered an independent review from an external neonatologist

into the links between Letby and a number of suspicious deaths. The two-part review would culminate in a meeting which whistleblowers demanded be held at the earliest opportunity. This meeting, however, did not take place until May 2016. Letby would later be convicted of one murder and one attempted murder that took place during the time it took for this meeting to be held. Though in any event, the review and the meeting would exonerate Letby in the minds of Alison Kelly and medical director, Ian Harvey.

In a self-described "tipping point" for whistleblowers, further deaths lead to their demand that Letby be taken off the ward in June 2016. Indeed, not simply being dismissive of this demand, one executive insisted that she personally would take responsibility for any deaths that happened while Letby was on the ward going forward. Letby would later be convicted of two murders that occurred following this escalation of concerns.

The Accountability Gap

The rare and unlikely occurrence of a nurse murdering babies in her care may explain the reluctance of senior leaders to address whistleblowers' concerns. From the whistleblowers' perspective, the culture and concern about their need to have evidence were reasons for them to delay going directly to the Police or regulators, and they relied on the hospital to take action on their concerns. Dr Ravi Jayaram told the Thirlwall Inquiry that he and other whistleblowers were actively discouraged in July 2016 by a member of the senior executive from raising concerns with the Police at this stage¹⁰.

The response of managers at the Countess of Chester Hospital to the increasing alarm among their staff went beyond the placatory. In fact, executives went so far as requiring whistleblowers to formally apologise to Letby and participate in a mediation exercise. It is therefore a testament to the whistleblowers' persistence that Letby was eventually

⁹ Booth, R., Garside, J. and Duncan, P. (2023) 'Lucy Letby timeline: when concerns were raised over attacks on babies', the Guardian, 18 August. Available at: www.theguardian.com/uk-news/ng-interactive/2023/aug/18/lucy-letby-timeline-attacks-babies-when-alarm-raised

¹⁰ Evidence to The Thirlwall Inquiry by Dr Ravi Jayaram 13 November 2024 at page 62

removed from the neonatal unit at all. The Board of the Countess of Chester Hospital was told in December 2016 that there was “no criminal activity pointing to any one individual” and the former Chair of the Board, Sir Duncan Nichol, has said he was “misled” by the Executive.¹¹

The Letby case highlights the costs incurred not when whistleblowers’ concerns are ignored per se but placated and brushed off by senior managers who were unable or unwilling to address the truth. It was only in July 2018 that the scandal came to public attention, and our model considers the Avoidable Costs (incurred between July 2015 and July 2018) and the Fallout Costs after that point. The costs to the hospital itself are low — we have not been able to calculate any costs of reputational damage — and this may impact on the incentives for NHS trusts to listen to whistleblowers.

Applying the UAF model to the scandal

The suffering and pain that families went through due to the actions of Lucy Letby cannot be calculated in financial terms. Our analysis focuses on costs incurred by Central Government including the NHS Trust, the police and justice system. We have not included costs incurred by the Nursing and Midwifery Council, as this body is largely funded by fees paid by nurses, midwives and nursing associates. In this case, we are assuming that it is reasonable to attribute costs that were incurred by the Countess of Chester Hospital to the taxpayer.

In this paper we have identified the costs that occurred before the first whistleblowing “event” in July 2015 as the “unavoidable” costs relating to the first three baby deaths and one attempted murder. Letby had already committed crimes and, whether or not whistleblowers had been heeded sooner, these crimes led to prosecutions and compensations being paid to the victims of crimes. Our Unavoidable Costs therefore include the costs of investigating and prosecuting the first deaths and attempted murder,

the compensation paid to victims or families and the legal aid spent on Letby’s defence.

UNAVOIDABLE COSTS
£2,772,753*
AVOIDABLE COSTS
£ 9,460,041
FALLOUT COSTS
£29,819,181
TOTAL COSTS TO THE TAXPAYER
£39,279,222
* This figure is excluded from the total as we are concerned only with avoidable and fallout costs.

¹¹ Lucy Letby: Hospital bosses were misled, former chair claims
www.bbc.co.uk/news/uk-england-merseyside-66553970

The Countess of Chester/Lucy Letby Scandal Costs

UNAVOIDABLE COSTS

Cost to Central Government

Costs of prosecution for events prior to July 2015	£476,999	See note above. We have assumed that the cost of legal fees, defence fees and compensation is split equally between the investigations both before and after the whistleblowing event.
Cost of defence including a defence expert	£328,975	
Compensation to victims of crimes	£71,940	Calculated according to statutory guidance.
Investigation of initial crimes by Cheshire Constabulary	£1,847,619	We have estimated the costs to the Police of investigating the first three deaths and one attempted murder.
total	£2,725,533	

Cost to the Countess of Chester Hospital

Salary	£47,220	We have assumed no unavoidable costs were incurred by the Countess of Chester Hospital, other than the cost of Letby's salary which we estimate at £47,220 in 2015.
total	£47,220	

AVOIDABLE COSTS

Cost to Central Government

Operation Hummingbird	£7,146,064	This is money spent by the Home Office on Operation Hummingbird — the Cheshire Constabulary investigation launched into Letby at a cost to the taxpayer.
Cost of prosecution	£1,192,498	As above, we have allocated prosecution and defence costs of trials equally between the children harmed or murdered.
Cost of defence	£819,198	See note above
Cost of retrial	£142,063	A retrial was ordered into one of the deaths
Cost of compensation	£95,920	We have apportioned the compensation costs as noted above.
total	£9,395,743	

Cost to the Countess of Chester Hospital

Mediation	£648	This was the cost of the mediation that whistleblowers were required to engage in with Letby
Two reviews into the neonatal unit	£14,400	Neither of the reviews commissioned directly investigated whether Letby had harmed babies, rather they were to consider unexplained neonatal deaths, and both concluded that further forensic investigation was needed.
Salary	£49,250	Nurse Letby's salary in 2018 is estimated.
		We have not included the costs of management time to the Hospital spent in responding to the whistleblowing concerns
total	£64,298	

FALLOUT COSTS

Cost to Central Government

Cost of the Thirlwall Inquiry	£19,233,886	Our projected cost for the Thirlwall Inquiry — to examine events at the Countess of Chester Hospital and their implications following the trial, and subsequent convictions, of former neonatal nurse Lucy Letby of murder and attempted murder of babies at the hospital sits at £19,233,886. This has been estimated by comparison with similar sized statutory inquiries into similar issues. This is in addition to the £2,834,000 which has already been spent at the time of writing.
Cost of compensation to families and victims and associated litigation estimated	£10,514,735	Estimates by medico-legal experts have put the total compensation payout for injury anywhere from £10,000,000 to as high as £60,000,000. For the purpose of being conservative with our estimates, we have taken the lowest value in the range in our final calculations. The cost of the inevitable litigation required to assess this figure accurately in any event is likely to be in the region of £514,735.
total		As above, we are not including the cost of Government Ministers, MPs or officials' time in considering the scandal and its impact.
total		£29,748,621

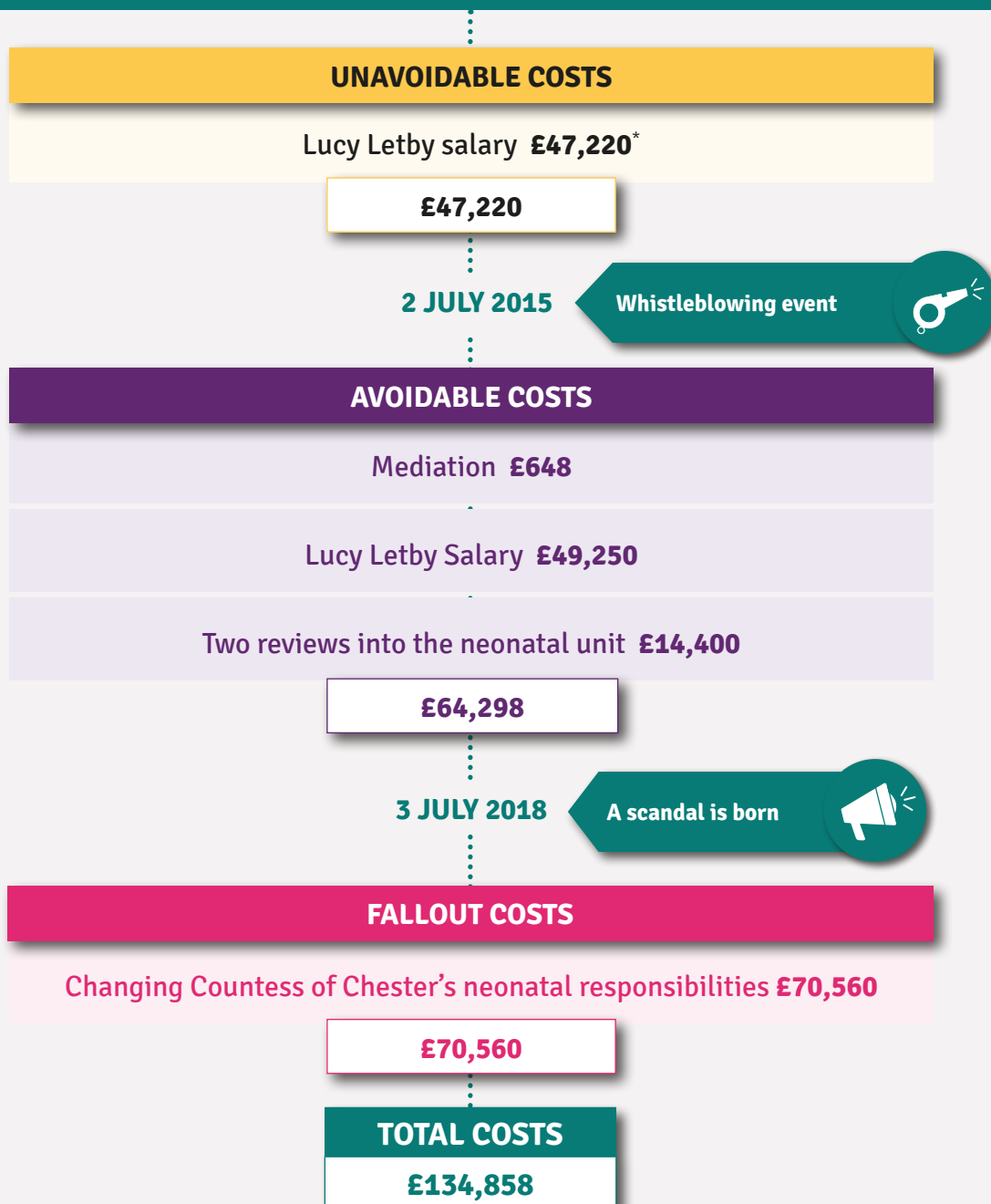
Costs to the Countess of Chester Hospital

Costs of changing Countess of Chester's neonatal responsibilities	£70,560	The most significant Fallout Cost for the hospital is that it is no longer permitted to look after its most vulnerable babies (those born at 32 weeks' gestation). This diminution of responsibility comes at a cost to the public purse of £70,560, which is the estimated cost of transporting those babies to the nearest high dependency neonatal facility where they can instead presumably be treated: the nearest by our calculation is Liverpool Women's Hospital.
		Concerning correspondence ¹ received from the Hospital in response to a Freedom of Information request revealed that the Hospital spent no additional funds on whistleblowing processes in direct response to Letby's conviction. There were no changes to the existing procedures in place, the Hospital simply updated their policy in line with national guidance.
total		£70,560
Costs of abnormal staffing expenditure	£5,069,295	Costs which coincide with Letby's offending, in spite of causation being disputed by the Hospital, relate to staffing expenditure. For the five years preceding Letby's conviction, the Hospital consistently spent 37% of their total staffing expenditure on nurses and midwives. However, this rose to 39% in the year 2022/23, the year in which Letby was on trial for seven counts of murder and fifteen counts of attempted murder. Without further evidence it is difficult to attribute the increase in staffing expenditure solely to the Letby case, so we have excluded this cost from our calculations.

¹ FOI 8200 Response Specific Costs Spend information 2018.pdf

The Countess of Chester/Lucy Letby Scandal

Costs to the Countess of Chester



* This figure is excluded from the total as we are concerned only with avoidable and fallout costs.

The Countess of Chester/Lucy Letby Scandal

Costs to Central Government



* This figure is excluded from the total as we are concerned only with avoidable and fallout costs.

The Collapse of Carillion

Background

Carillion was the UK's second-largest construction company that suddenly plunged into compulsory liquidation in January 2018, pulled under by liabilities totalling £6.9 billion. Remarkably however, just six months before it collapsed, there was no indication that Carillion was in anything other than good financial health, at least as far as the Cabinet Office was concerned.

At the time of its collapse, Carillion had approximately 420 public sector contracts. As such a large 'Strategic Supplier', Carillion's financial health was monitored by the Cabinet Office every six weeks. At these six-week intervals, the Cabinet Office would assign Carillion a 'risk rating' — a colour code based on financial health indicating the level of concern the Government ought to have about the solvency of one of its contractors. Six months before its collapse, Carillion was rated as either green or amber, a signifier that there were no serious worries on the part of Government with respect to Carillion's finances.

Carillion's collapse led to huge costs to both the public purse and private suppliers, with cataclysmic effects felt on the stock market amounting to a cost ultimately paid by the taxpayer. This begs the question, how can a large company reporting to the Government mask its imminent financial implosion? In answering this question we will consider what happened to those who did blow the whistle at Carillion, and in doing so, inevitably determine why more did not.

The Role of the Whistleblower

Emma Mercer was the Carillion Finance Director, heralded as the individual who raised concerns regarding the state of Carillion's finances. The nature of Emma Mercer's whistleblowing drew senior executives' attention to improper accounting practices and, while she did not suffer a detriment as a result of her whistleblowing, it can hardly be said that it had any material effect. This is for two principal reasons.

The first is that Emma Mercer did not receive any, or any meaningful response to her whistleblowing. She raised concerns repeatedly, and when those concerns were not taken seriously, she took them to Human Resources. Even then, Carillion's board response was to allow its external auditors, KPMG, to re-audit their accounts, effectively marking their own homework — unsurprisingly passing with flying colours. The second reason is that Emma Mercer raised concerns in the Spring of 2017 and by September 2017 when she took over as Finance Director Carillion's fate as a soon-to-be ex construction giant had already been sealed. A Board member is quoted as saying at a board meeting in response to Emma's concerns, "Mrs Mercer appeared to be a whistleblower who did not feel she was listened to".¹²

The Accountability Gap

So why were concerns not raised sooner? A former Carillion employee, speaking anonymously after its collapse, described Carillion's organisational culture as one in which bad news was not welcomed by senior executives. Of particular concern is that this same former employee reported that knowledge of Carillion's precarious financial position was widespread within the organisation by mid-2016¹³, but that voicing concerns was considered to be straying from the message senior executives sought to portray. The Select Committee found that this message came from both the Executive and Board members who were uninterested in hearing inconvenient truths about the business model they were pursuing. This lack of scrutiny from both Board and Executive can be seen in the way Emma Mercer's concerns were either brushed off or not looked at independently.

¹² 'Whistleblower warned Carillion bosses about irregularities, MPs told', the Guardian on 27th February 2018. www.theguardian.com/business/2018/feb/27/carillion-whistleblower-emma-mercet-warned-bosses-about-irregularities-mps-told

¹³ Topham, G. (2018) 'Carillion was in trouble by mid-2016, says whistleblower', the Guardian, 21 February. Available at: www.theguardian.com/business/2018/feb/21/carillion-was-in-trouble-by-mid-2016-says-whistleblower

There were additional anonymous whistleblowers from within the organisation who later told one Select Committee charged with investigating the downfall of Carillion that its accounting practices were “*unconventional*”.¹⁴ It can only be a reflection of an organisation’s culture that employees had grave concerns yet only felt able — with Emma Mercer as the only exception — to raise their concerns anonymously to both the press and Select Committees post the company’s collapse. Carillion proves a very high-profile example of the magnitude of costs that can arise when the culture does not allow workers to speak up.

The regulators overseeing audits and corporate governance, the Financial Reporting Council (FRC) and The Pensions Regulator (TPR) were heavily criticised by the Select Committee for their lack of oversight prior to the collapse of Carillion. After the collapse, a number of investigations into the conduct of Carillion and its board members were carried out by: the Financial Conduct Authority; the Official Receiver; The Pensions Regulator; and the Financial Reporting Council.

Applying the UAF Model

The collapse of Carillion’s construction empire teaches us something slightly different about the cost of whistleblowing failures to the public purse. Unlike in the other two case studies investigated as part of this research, the fatal problems at Carillion that ultimately led to its demise were not disclosed by whistleblowers at all, or at least not until it was far too late. No costs are calculated for Carillion itself, as this was a public limited company which went into liquidation.

UNAVOIDABLE COSTS
£0*
AVOIDABLE COSTS
£192,045,630
FALLOUT COSTS
£17,046,343
TOTAL COSTS TO THE TAXPAYER
£209,091,973
* This figure is excluded from the total as we are concerned only with avoidable and fallout costs.

¹⁴ House of Commons Work and Pensions and Business, Energy and Industrial Strategy Committees (2018) Carillion. Available at: <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/76902.htm>

Carillion Scandal Costs

UNAVOIDABLE COSTS

The collapse of Carillion might have been entirely avoided had whistleblowers come forward and been heard in mid-2016, a year and a half prior to its collapse. This is for two principal reasons. Firstly, up until mid-2016, Carillion was in relatively good financial health. Secondly, had staff felt able to come forward, it is likely that the Cabinet Office could have stepped in to push for change in Carillion or would have suspended future contracts.

Accordingly, substantial cost to the public purse would have been spared. Indeed, the only costs that the public purse paid out in relation to Carillion were those in response to what was allowed to happen after mid-2016. No costs to the public purse were, then, Unavoidable in our model

total	£0
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AVOIDABLE COSTS

In calculating the Avoidable Costs we looked at the period mid-2016 to the beginning of 2018, when the scandal became public. In this case the distinction between Avoidable and Fallout Costs is harder to make, but we distinguish between the immediate impact of a collapse (the Avoidable Costs of the whistleblowing failures) and the knock-on impact on the public sector (for Fallout Costs)

Cost to Central Government

Costs of unemployment benefit following job losses	£2,045,630	When Carillion collapsed, 16,970 internal jobs were affected. Following the collapse 64% (11,638) of the workforce found new work, 13% (2,332) were made redundant while the remainder (3,000) remained employed by Carillion UK. We have not included in our calculations the £65,000,000 paid out by Carillion itself in redundancy but have made assumptions about how many of those made redundant were likely to claim Jobseekers' Allowance for three months which we estimate comes to £2,045,630. This is likely to be an underestimate, as we have no figures for the impact on the jobs of those working in the supply chain.
Cost of Cabinet Office loss on insolvency	£148,000,000	Another direct cost to Central Government was the money provided by the Cabinet Office to help finance the costs of liquidation, which is estimated by the National Audit Office to be in the region of £148,000,000 paid out to ensure the continuity of public services. The Cabinet Office set up a crisis management centre to handle communications and prepare to inform Parliament in 2018. The costs of this set up and management time involved are not included.
Cost of the termination of PFI contracts	£42,000,000	In September 2018 the PFI contract to build the Royal Liverpool hospital terminated and was taken back into public control. The contract required that compensation be paid to the PFI company lenders, based on the estimated costs to complete the hospital. The Government had to pay a termination fee to the lenders of £42,000,000
total	£192,045,630	

FALLOUT COSTS

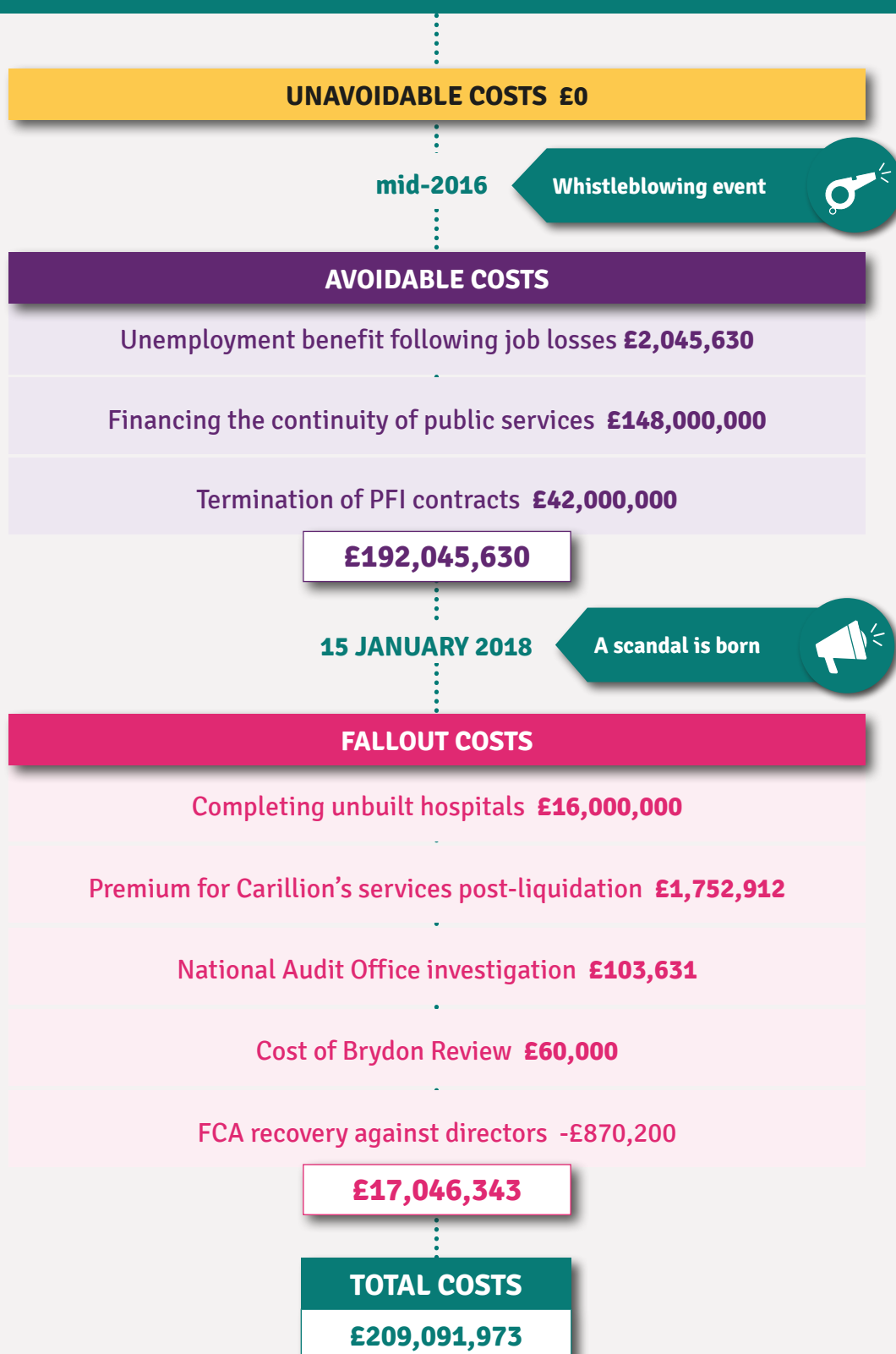
As with both the Post Office and the Letby scandal, it is Central Government and ultimately taxpayers who picked up the pieces after the collapse of Carillion, even though it was a private company. The Fallout Costs calculated include the delay to buildings which Carillion was contracted to build and costs of other public sector bodies paying premiums for services Carillion was no longer able to provide. We have reduced the total Fallout Costs by the amount recouped by the Financial Conduct Authority from the directors it censured. We have not included the many Parliamentary committees that reviewed the failures — as we consider these to be opportunity costs. However, we have included two specific reviews, the Brydon Review and the National Audit Office investigation, both prompted by Carillion's collapse.

Cost to Central Government

Costs of delay in public buildings as a result of the collapse of Carillion	£16,000,000	The largest portion of the Fallout Costs were incurred in relation to unbuilt hospitals that Carillion could not fulfil, following its liquidation. The hospitals were eventually built by other companies, but the multi-year delays in their building, among other reasons, elicited another bill to the taxpayer. The NAO report found that the public sector was expected to pay 1% more in total for both hospitals than it would have under PFI schemes. Healthcare Financial Management Association identified the net additional cost for both hospitals at £16m. It is, however, not known what the final bill would have come to for these construction projects had Carillion remained as the Government contractor.
Cost to other public sector bodies in premiums paid	£1,752,912	There were also broader ramifications to the public purse. The figure of £1,752,912 is the 20% premium that public sector organisations (mainly for schools and local authorities) ended up paying for Carillion's services post-liquidation.
Cost of National Audit Office investigation	£103,631	The National Audit Office carried out an investigation into the Government's handling of the collapse of Carillion
Cost of Brydon Review	£60,000	The Brydon Review was commissioned to explore the purpose and scope of audits and led to a number of recommendations including to extend the scope of whistleblowing protection and to include the statutory auditor in the list of Prescribed Persons.
Deduction in FCA recovery against directors	(£870,200)	Owing to their liquidation, there was little the Government could do to claw back any money from Carillion, let alone a punitive sum. The Financial Conduct Authority would have imposed a financial penalty of almost £38,000,000 for Carillion's contraventions of regulations and rules, but as it was in liquidation, the FCA was only able to pursue proceedings against individual Directors for their actions between July 2016 and July 2017. Fines imposed on three directors amounted to £870,200 and this has been deducted from the Fallout costs above.
total	£17,046,343	

The Carillion Collapse

Costs to Central Government





Lessons and Reforms

Introduction

The purpose of this section is to compare the three scandals by drawing out themes that emerge when the model is applied. Attention is then turned to what changes and reforms can be made to improve this in the future.

Themes

Picking up the pieces

It is, ultimately, the taxpayer via Central Government that pays the price for an organisation's failure to listen to whistleblowers. In the case of both the Post Office Horizon IT and Countess of Chester Hospital scandals, Central Government bears the fallout primarily in the form of compensation schemes and inquiries. These are costs that are too great to be met by the respective state-owned entities themselves. While the collapse of Carillion did not trigger a public inquiry, the very tangible costs of a key supplier becoming insolvent were picked up by the taxpayer.

There is a financial cost to ignoring whistleblowers

A theme that emerged by comparing the Carillion and the Post Office Horizon IT scandals was how both organisations carried on business under the pretense that there were no problems, despite whistleblowers drawing their attention to them. The Countess of Chester Hospital did commission an external review by the Royal College of Paediatrics and Child Health (RCPCH) but did not share information that there were whistleblowers concerned about the conduct of a nurse. In the long run this was to each organisation's detriment; had they listened and acted on the whistleblowing concerns, costs as well as harms could have been avoided. Carillion's costs under this heading include expenditure on external auditors who provided glowing reviews of Carillion's finances in its run up to insolvency. These external audit reports came in at a total cost of £49,800,000 (paid to KPMG, EY and Deloitte in unequal proportions). In the case of the Post Office, legal advice was commissioned to certify the validity of the Post Office prosecution strategy.

The Accountability Gap

A major theme we have seen across all three scandals has been the gap in accountability from those who should have responded to and dealt with concerns. The failure primarily comes from within the organisations, both at senior executive and Board level, but there is also a gap where regulators failed to step in and stop the loss of life, job loss and costs to the public purse.

We have further divided this theme into two parts:

1. Failing to properly address concerns.

Even when the employer appeared to accept there was something to investigate, each failed to act reasonably and responsibly in their responses. In the Countess of Chester Hospital example, the concerns were not addressed as whistleblowing but appear to have been considered as a breakdown in working relationships. A mediation scheme was introduced, and the whistleblowers were required to apologise to Letby. The RCPCH review recommended "a thorough external independent review of each unexpected neonatal death" but this didn't happen. At Carillion there was a response to Emma Mercer's whistleblowing but the accounting audit that was commissioned lacked independence as it was carried out by the same firm that carried out the regular audit.

2. Weak or no regulators

Another aspect to all three cases was that no regulator stepped in to stop the wrongdoing at an early stage. In the case of the Countess of Chester Hospital whistleblowers felt unable to raise concerns externally, believing the decision to contact the Police must be made by senior executives and the board. It does not appear that the Care Quality Commission (CQC) or the Nursing and Midwifery Council (NMC) were involved when concerns were raised. The only regulator mentioned was the General Medical Council (GMC) in the context that the whistleblowers themselves might be subject to reports to the GMC for their attitude towards Letby. A mix of a culture of fear, and perhaps a lack of understanding of how whistleblowing might work meant the alarm wasn't raised sooner.

Parliamentary reports into Carillion found that weak regulators with little presence were not in a position to step in and act on whistleblowing concerns if they were to emerge. For example, the report by the Joint Business, Energy and Industrial Strategy and Work and Pensions Committees recommended that the “Government should provide the FRC with the necessary powers to be a more aggressive and proactive regulator ... to provide a sufficient deterrent against poor boardroom behaviour and drive up confidence in UK business standards”.¹⁵

In the case of the Post Office Horizon IT scandal whistleblowers had no regulator to approach — there was no oversight body to report the appalling injustices being carried out. Many sub-postmasters approached their MPs and it was that route, together with the media, that eventually exposed the scandal, though neither could play the role of investigating or taking action to stop the harm.

The Cost of Whistleblowing Failures to the Taxpayer

Taken together, the sum total of the cost of whistleblowing failures born by the taxpayer between the three scandals investigated here was **£426,338,460**. This is a conservative figure — apart from the opportunity costs to Government, Parliament and officials of time spent on investigations, debates and questions, we have also excluded management time and salaries (for example, time spent by senior managers at the Countess of Chester Hospital while Letby was employed). Where figures are debateable (such as the Horizon shortfall costs) we have excluded them. The costs of public inquiries which have not yet concluded have been estimated and may be higher.

This figure would be sufficient to build approximately 14 new schools or cover the running costs of the average prison for 21 years. This is the cost of just three whistleblowing scandals that have played out in recent years. Think of the further sacrifices the state budget has had to make in relation to other

whistleblowing scandals in recent times, for example the Infected Blood Scandal or the Grenfell Tower fire.

At a time when resources seem scarcer than ever, failing to listen to whistleblowers is simply costing the state, and the tax payer, too much. It is for this reason we set out the reforms below. Improving whistleblowing means improving accountability and, we hope, could save the taxpayer hundreds of millions of pounds.

¹⁵ <https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/1456/1456.pdf>

Recommendations for change

1. Duty on employers to investigate whistleblowing concerns

We strongly urge the Government to amend whistleblowing protection so that we ask far more of employers and regulators when it comes to whistleblowing. Outside of the Financial Services sector employers are not legally required to have a whistleblowing policy and there is no legal requirement that a concern should be investigated. Equally, there are no legal standards or rules governing how regulators should interact with and investigate whistleblowing concerns. The message from this position paper is that whistleblowing is key to stopping wrongdoing turning into a scandal, but we need proactive and responsible employers. If this fails to materialize then accountability will suffer.

In the case of all three scandals, had an adequate investigation by the employer been carried out in response to the earliest whistleblowing concern then things could have looked very different. By way of example, had an investigation taken place in response to whistleblowing concerns at the Countess of Chester Hospital on 2nd July 2015, taxpayers' money would have been saved, but more importantly, children's lives would have been protected.

2. Increase the scope of whistleblower protection

The legal protection for whistleblowers should be extended to everyone in the workplace.

The treatment of the sub-postmasters has been particularly appalling — they lost money, jobs, the respect of their local communities, and in some cases their liberty. Yet sub-postmasters are not included within the law protecting whistleblowers. If sub-postmasters had had whistleblowing protection, Fozia Rashid's claim before the Employment Tribunal might have succeeded and blown the lid off the Horizon scandal a decade ago. Giving sub-postmasters whistleblowing protection is backed by the Communication Workers Union (who recommended in their evidence to the Post Office

inquiry that sub-postmasters be given full worker status¹⁶) while the Institute of Directors also note the lack of protection for sub-postmasters and recommend the government include this issue in a review of whistleblowing protections.¹⁷

Broadening the protections was also a recommendation of the Brydon Review that followed the Carillion collapse. Here an even broader formulation was recommended to those with a direct economic relationship (with the entities being audited) including shareholders and suppliers.¹⁸

Our current whistleblowing protections simply do not reflect the reality of the modern workplace. Many of those who work for an organisation are not protected as whistleblowers. Good whistleblowing policies will encourage all those who work with or for an organisation to raise concerns, yet if their whistleblowing leads to victimisation they have no remedy.

3. Address the accountability gap at board level

The failure of the Board in each scandal to take responsibility for the whistleblowing culture and ask enough questions of the executives is striking. It is not acceptable for Boards to say that they were unaware of concerns that senior executives knew about — ultimate accountability lies with the Board.

As a result, we recommend that all Boards should be required to appoint a whistleblowing champion who will be responsible for the whistleblowing system and the culture that exists in the organisation. Boards should not simply check that arrangements for

¹⁶ Communication Workers Union (CWU) reference: Dave Ward, General Secretary of the Union, Para 56, p.g.15, Witness Statement, the Post Office Horizon IT Inquiry, 21st July 2024 www.postofficehorizoninquiry.org.uk/sites/default/files/2024-11/WITN10070100.pdf

¹⁷ P.g.5 The Post Office Scandal: A Failure of Governance, Institute October 2024 www.iod.com/app/uploads/2024/10/IOD-The-Post-Office-Scandal-%E2%80%93-A-Failure-of-Governance-1-f04f78664e5242c6bebb0a01035806c2.pdf

¹⁸ I further recommend that the [whistleblowing] protections available to employees should be extended to others with a direct economic relationship with the entities being audited. These would encompass shareholders, suppliers, customers and any other creditors. Such individuals should also be afforded protection when whistleblowing to ARGA. Brydon Review available at <https://assets.publishing.service.gov.uk/media/5df8edfcd915d0938597e1f/brydon-review-final-report.pdf>

speaking up are in place, but ensure that such channels are working effectively, and that lessons are being learned.

In public services including the NHS this should be underpinned by a system where senior managers and directors are held to professional standards, subjected to a fit and proper persons test and banned from holding senior managerial positions where it has been shown they have ignored or victimised a whistleblower. We welcome the Government's current consultation¹⁹ on regulating NHS managers, but we note that problems of treating whistleblowers badly are not unique to the NHS.

4. Place whistleblowing policy in the Cabinet Office

Too often whistleblowing is seen as an employment issue alone. The protection for whistleblowers is found in employment law and a remedy available through the Employment Tribunals for those who suffer detriment or dismissal. As a result the sponsoring department is the Department of Business and Trade. Yet this means debates about whistleblowing tend to focus on the outcomes for the individual rather than the good they can do to address accountability across all sectors.

While we want to see employment rights for whistleblowers strengthened, our hope is this research shines a light on the wider benefits that whistleblowing can bring in highlighting risks, preventing harm and ensuring organisations are accountable. Ultimately the three case studies presented in this position paper demonstrate a failure of governance rather than an employment law problem. Good governance in public sector organisations should be dealt with holistically and we recommend that coordination and policy formulation should sit with the Cabinet Office.

5. Strong and consistent regulation

A missed opportunity in these case studies is the role of regulators who were either absent or failed to step in when the organisation was unable or incapable of acting on the whistleblowing concerns. The role of the regulator may not have been apparent to all the whistleblowers in our case studies, or there may have been a fear that by going outside the organisation to raise concerns they would be punished. The current system of "Prescribed Persons" for whistleblowing means that we have a wide range of regulators in several sectors, including the NHS, but no effective regulator in others. When new regulators such as the Audit, Reporting and Governance Authority (ARGA) are established they should become Prescribed Persons so that it is clear that whistleblowers can approach them.

Regulators need to be approachable, effective and consistent in how they deal with whistleblower concerns. We propose that there should be standards, backed by statute if necessary, that ensure that whistleblowers know what to expect when they go to the regulator. For example, these standards might assure whistleblowers that they can contact a regulator confidentially, know that their concerns will be kept on a confidential system, that appropriate investigations will be carried out and that feedback will be provided to the whistleblower within six months. For regulators to have the confidence of whistleblowers and potential whistleblowers, they should also have a role in holding employers to account if they ignore or victimise a whistleblower. Finally, regulators need to be resourced appropriately to ensure that they are effective in their investigations and in taking enforcement action.

¹⁹ A consultation 'Leading the NHS: proposals to regulate NHS managers' was published on 26 November 2024.

6. Implement the recommendations of Inquiries

Two of the scandals that have been examined for this paper, Post Office IT Horizon and Countess of Chester Hospital, have ongoing public inquiries. No doubt recommendations will be made by both inquiries which will be accepted by the Government. However, there is nothing to compel Governments to implement the recommendations, and research by the House of Lords Statutory Inquiries Committee²⁰ has found recommendations often fail to be implemented.

In September 2024 the Statutory Inquiries Committee report “Public Enquiries: Enhancing public trust” noted that had the inquiry into Bristol Royal Infirmary’s recommendations been “*comprehensively implemented*” then the patient safety scandal at Mid-Staffordshire Hospital may have been less likely. Their view was that insufficient monitoring makes inquiries “less effective”, “risks the recurrence of disasters” and does not provide value for money because “too little is done to ensure that the desired outcomes of inquiries are achieved.”

It is often left to the victims of harm, campaigners and civil society to hold the Government to account for implementing recommendations. The Lords Committee proposes that there should be a new committee of Parliament to monitor inquiry recommendations which the Government has accepted and we support this proposal. With so much time and resource devoted to public inquiries, we need to ensure that the money is well spent. It does no service to the victims of disasters, whistleblowers, witnesses and those who Chair and support inquiries if the recommendations which arise out of the tragedies and failures are ignored.

Conclusion

This policy paper sets out the cost to the taxpayer of ignoring whistleblowers in the three case studies. It also outlines the accountability gap between the whistleblower raising their concerns to the point at which the wrongdoing was finally exposed. This gap was often found in the failure of senior executives to investigate whistleblowers’ concerns, in the failures of the Board lacking in curiosity or not creating the right culture for whistleblowers to come forward, and the failure of regulators to be visible enough or proactive enough to act on whistleblowing concerns. Good internal and external systems are both required for whistleblowing to work effectively.

For too long the debate around whistleblowing has focused on how individual whistleblowers are treated. While the human impact of retaliation for speaking out is important it does whistleblowing and whistleblowers a disservice not to also consider the wider impact on society when their warnings go unheeded. Whistleblowers can save lives, livelihoods, reputations and finances for their employers, and effective whistleblowing can deliver savings to the public purse. We hope this paper provides a compelling and urgent argument to Government for why things need to change.

²⁰ House of Common, *Public inquiries: Enhancing public trust* Statutory Inquiries Committee <https://publications.parliament.uk/pa/ld5901/ldselect/ldstating/9/902.htm>

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Front page from left: UK government under pressure to clear convicted sub postmasters caught up in Post Office scandal, London, United Kingdom 09 Jan 2024 ANDY RAIN/EPA-EFE/Shutterstock; Hush Naidoo Jade at Unsplash; Anthony Fomin at Unsplash; p.5 Kenny Eliason, Tim Photoguy; Engin Akyurk, Jakayla Toney at Unsplash.

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