



Northern Ireland
Assembly

Public Accounts Committee

OFFICIAL REPORT (Hansard)

Inquiry into the LandWeb Project and Digital
Transformation: Department of Finance
Briefing

24 September 2020

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr William Humphrey (Chairperson)
Mr Roy Beggs (Deputy Chairperson)
Mr Cathal Boylan
Ms Órlaithí Flynn
Mr Harry Harvey
Mr David Hilditch
Mr Maolíosa McHugh
Mr Andrew Muir
Mr Matthew O'Toole

Witnesses:

Mr Paul Duffy	Department of Finance
Ms Sue Gray	Department of Finance
Mr Ian Snowden	Department of Finance
Mr Stuart Stevenson	Department of Finance
Mr Kieran Donnelly	Northern Ireland Audit Office

The Chairperson (Mr Humphrey): I invite to the table Ms Sue Gray, accounting officer in the Department of Finance; and Mr Paul Duffy, deputy secretary in the Department of Finance. Mr Ian Snowden, chief executive of Land and Property Services (LPS), is attending remotely. Mr Kieran Donnelly is attending in his role as Comptroller and Auditor General (C&AG) and will stay for the remainder of the business. Mr Stuart Stevenson, Treasury Officer of Accounts, is also attending remotely.

Broadcasting, can you please bring Mr Snowden and Mr Stevenson into the meeting so that they can see, hear and be heard when speaking? Mr Snowden and Mr Stevenson, can you hear us?

Mr Ian Snowden (Department of Finance): Yes, I can.

The Chairperson (Mr Humphrey): Mr Stevenson, you are muted at the moment.

Mr Stuart Stevenson (Department of Finance): Yes, Chair, I can hear the proceedings.

The Chairperson (Mr Humphrey): OK. We are good to go. Thank you very much. I remind witnesses that we have to continue to adhere to social distancing. Good afternoon, you are very welcome, Ms

Gray, Mr Duffy, Mr Snowden and Mr Stevenson. At this stage, I will hand over to you to make some comments, and then we will take some questions from members.

Ms Sue Gray (Department of Finance): Thank you very much for inviting me and for the opportunity to provide evidence on the Audit Office's reports on the nidirect strategic partner project and the LandWeb project.

At the outset, I would like to say that, from my current role in the Department of Finance and my previous role in the Cabinet Office, I am really aware of how important digital transformation is for public services. It opens up opportunities to make services more efficient and deliver cost savings, but, more importantly, it is what the public expect and deserve. We have seen a lot of the benefits of that in the most recent restrictions; people, increasingly, expect to be able to interact with public services online through easy-to-use solutions at times that suit them. We are moving in that direction.

Some good work has been done in Northern Ireland. The reports that we are here to talk about today cover quite different projects that have delivered some real improvements in public services. However, the reports also shine a light on some things that could, and should, have been done better. It is absolutely right that there is public scrutiny of those weaknesses, so that we can learn how to do things better in current and future projects. I am very clear that we have a responsibility to make the best possible use of public money. I talk a lot in the Department about treating every taxpayer's pound in the same way in which we would treat our own pound. I very much believe that. Since I took up post in 2018, I have challenged my Department and our suppliers to change the way in which things are done to ensure that we get better value for money out of our contracts. I have set up a strategic contract management team in the Department, with the aim of bringing a stronger commercial focus to our discussions with suppliers. I am using the expertise that my former colleagues in the Cabinet Office have. Many of the lessons from these and previous reports are being applied and are informing our approach to managing and negotiating the terms of contracts.

The reports also illustrate some of the challenges that come with managing complex IT projects. Those challenges are not unique to here; they are seen in other jurisdictions as well. As I said, we have been making greater use of our contacts in the Crown Commercial Service, the Government Digital Service (GDS) and other UK organisations to learn from their experience. We have had some challenges about the way in which we are funded; 12-month funding cycles are not great, but I am hopeful that we will get multi-year budgets in the next round. I very much work — I hope that my colleagues in the NIAO agree — in a very open way. I do not have secrets from the NIAO; in fact, I have involved it heavily in the deep dives that we have done in the Department. The Department is in a different place. We have a strategic contract management system, so, we see all our contracts well before they are due to expire. I have appointed a commercial director in the Department to take that overview of all of our contracts.

We are in a different place, but it is quite right that we are here today to answer some questions about those contracts. I am happy to take questions.

The Chairperson (Mr Humphrey): Do any of your colleagues have anything to add?

Mr Paul Duffy (Department of Finance): Nothing at this stage.

Mr Harvey: You are very welcome, Mr Duffy and Ms Gray. It is good to see you.

The first time that a driver of a vehicle has dealings with the Driver and Vehicle Agency (DVA) on nidirect is their first licence application for their 'L' provisional licence. When they go on to the website, it says, "This cannot be carried out". Why can that not be done here? Is it because of cost? Do we not have the technology? It can be done in other jurisdictions; it is not new or impossible. Is it not important that the first stage on a driver's ladder should be a pleasant and easy-to-follow process, so that they gain confidence in the Department rather than disappointment or confusion?

Ms Gray: Luckily, my colleague Paul has joined the Department fairly recently from DVA.

Mr Harvey: Brilliant.

Mr Duffy: Applying for a new driving licence is an issue. The DVA has gone through quite a significant transformational programme and has put a number of its key front-line services online, including a number of the driving licence transactions. You can go online and change your address, update your

details if you want a duplicate licence, and renew a licence. The challenge with applying for a new licence is that, for that licence to be processed, the DVA has to assure itself that you are the person whom you say you are; there is an issue around identity assurance. Work is ongoing. In DOF, we have been doing some work on the Northern Ireland identity assurance process, which allows individuals to have their identity assured. To do that, unfortunately what has to happen is that an individual has to come into a workplace with documentation to identify who they are, which then has to be verified. That then allows them to use certain services.

The difficulty with the driving licence is that it tends to be applied for only once every 10 years. Therefore, we would be encouraging people to come in to get that identity assurance done when it is not necessarily something that they would want to do if they are going to use it only once in every 10 years. The system in the DVA still needs to develop a new way of assuring somebody's identity. We are working very closely with it on that for the next generation of its solutions.

Mr Harvey: What about other parts that can do it? Do they have different technology from what we have?

Mr Duffy: There are different levels of assurance. If you want to access some services, you need only a level 2 assurance. If you need to access other services, you need a higher level of assurance. The driving licence requires the highest level of assurance.

In GB, they use an identity assurance process called Verify. It is not widely used by all services, but it is something that they have been progressing over a number of years. I know that the DVA has certainly been in close engagement with the Government Digital Service about potentially using that as a means for assuring identity.

Mr Harvey: Have they had any problems with Verify or is it fairly reliable?

Mr Duffy: Yes, there have been issues with Verify. Its take-up has not been spectacular for a number of GB Departments. There are a number of different assurance mechanisms that can be used. Some Departments use one mechanism; some use the other. The difficulty for citizens is that they want to use only one. Getting that common identity assurance is where the real challenge lies.

Ms Gray: When I was in the Cabinet Office, Verify was one of the projects that was under way for many years. It started around 2010, but it is only recently that it has really started to be rolled out. They have invested very heavily in it. As Paul said, not all Departments are using it. For example, I do not think that DWP is using it. A number of Departments are not using it. In a way, we can learn from what they have been doing and take that on more recently.

Mr Duffy: Chair, identity assurance is probably one of the biggest game changers for digital transformation. If that can be resolved, it opens the gateway to many services for citizens. It is an area that DOF is looking at in conjunction with GDS.

Mr Harvey: Thank you very much.

The Chairperson (Mr Humphrey): When was the nirect contract signed?

Mr Duffy: The contract was signed in 2012.

The Chairperson (Mr Humphrey): How long for?

Mr Duffy: It was originally signed as a seven-year contract, with an option to extend for three years.

The Chairperson (Mr Humphrey): What was the estimated cost when it was signed in 2012?

Mr Duffy: It was £50 million.

The Chairperson (Mr Humphrey): Mr Duffy, we received a briefing from the Audit Office last week. A number of things in that briefing caused us grave concern. First of all, officials in the Department of Finance, as I understand, thought that the contract was 10 years, not seven, and that the final cost of the project, which was estimated at £50 million, ended up being, I think, £110 million. We are not in a

position to lecture mainland Departments about efficiencies and so on. How can we get to the point where we overspend by £60 million on a contract that the Department did not understand the time period for?

Mr Duffy: Chair, you are correct: the spend is forecast to be £110 million by the end of 2022. There were weaknesses in the Department's internal controls on financial management and cost controls. Undoubtedly, that was unacceptable. The Department has taken a number of steps to address those issues. At the time that the contract was being used, it almost became a victim of its own success, in that the amount of work that was going through that contract was greater than had been anticipated. There were not tight enough financial controls. I can assure you that those financial controls are now in place. I could tell you how much has been spent on that contract to date to the very penny. We are monitoring and reporting those costs meticulously and ensuring that we stay within that £110 million limit.

The Chairperson (Mr Humphrey): Could the Northern Ireland Audit Office not go into the Department on annual basis?

Mr Duffy: It would have done a financial audit on the Department's accounts on an annual basis.

The Chairperson (Mr Humphrey): Were these projected overspends not flagged up on an annual basis?

Mr Duffy: I think that the issue was flagged up by the Audit Office in the 2016-17 financial accounts. It had been flagged up in an internal audit report.

The Chairperson (Mr Humphrey): What was done in 2016-17 to rectify the situation?

Mr Duffy: A team that was looking after the contract at that time clearly did not have the financial management skills that were required to manage that contract. A resource was then brought in to check those costs and ensure that they were properly monitored. Around that time, the Department devised a tracking system, which has been built on over the last number of years and is now providing the information that we require.

The Chairperson (Mr Humphrey): The tracking system was introduced when, Mr Duffy?

Mr Duffy: For the financial information, the tracking system was brought in around about 2017. That is when it first started to be used, but there was a bit of an iterative process to refine it.

The Chairperson (Mr Humphrey): So, it took five years to put the tracking system in place.

Mr Duffy: Chair, I could not excuse it taking that long to track the information. To be fair, you would have expected the spend to be tracked from day 1.

The Chairperson (Mr Humphrey): You would.

Mr Duffy: I suspect that it was tracked from day 1 but control of it was lost at some stage.

The Chairperson (Mr Humphrey): Are you aware that, when Audit Office officials spoke to a senior official in your Department about these issues and it was advised that the figure was going to be close to £110 million as opposed to £50 million, that individual's response was, "So what?"?

Mr Duffy: I could not comment. I have to say, Chair —.

Ms Gray: That is not how we would behave. I can absolutely give that assurance.

The Chairperson (Mr Humphrey): A contract is signed in 2012. A tracking system on the contract is introduced five years later, when the Audit Office advises that the protections, the scrutiny or whatever are not in place. It takes five years for that to be done. The projected spend at the end of this contract, which the Department understood to be 10 years when it was in fact seven, is more than double. That is £60 million spent out of the Northern Ireland budget that could build six or eight primary schools. That money is gone from the Northern Ireland budget. There is a cost to this in the £60 million

overspend, Mr Duffy, but there is also an opportunity cost to Northern Ireland plc of other investments that would have taken place.

Mr Duffy: It is important to clarify that there is a £60 million overspend against the £110 million value of the contract. It is not that something was intended to be bought for £50 million and ended up costing £110 million. However, that additional £60 million has gone through the contract, and I do not defend that.

The Chairperson (Mr Humphrey): I accept the point that you are making.

Mr Duffy: There were lots of other services delivered with that £60 million.

The Chairperson (Mr Humphrey): Sure, but there is a question that has to be asked. Those who negotiated the contract and those who signed off on the contract clearly did not dot i's and cross t's. Ironically, when we, as public representatives — it will be the same for all members — are lobbying for money for our constituencies, other Departments will tell us that a business case has to go to be signed off by economists in the Department of Finance. Before I bring in other members, let me just make this point. The original contract that was signed for LandWeb was £49 million; is that correct?

Mr Duffy: I will have to refer to Ian on this issue.

The Chairperson (Mr Humphrey): Mr Snowden, is that correct? You are on mute, Mr Snowden; you will have to unmute yourself.

Mr Snowden: Sorry. Yes, the original contract was, I think, for £46 million.

The Chairperson (Mr Humphrey): My understanding is that LandWeb could end up costing £107 million to the public purse in Northern Ireland. Is that correct?

Mr Snowden: The total value of all the payments made under the contract could end up at around that figure, yes.

The Chairperson (Mr Humphrey): So nirect was a contract estimated at, potentially, £50 million, signed and agreed by the Department in 2012; overspend £60 million. LandWeb contract £46 million, and it is going to cost £107 million. Members would be absolutely justified in asking whether there is a culture in the Department about these things — a laissez-faire and "So what?" attitude. This is stark reading for the public purse in Northern Ireland. As accounting officer, Ms Gray — I know and accept that you were not there at the time — can I ask you? Is there a culture, and — I am predicting your answer — what are you doing to address it?

Ms Gray: Definitely not. There is not that culture in the Department. What have we done to address it? To be fair to Paul and Ian, none of us was in place when those contracts were negotiated and signed. When I arrived, there were a number of audit and risk committees in the Department. Rather than there being one audit and risk committee, there were several. The departmental audit and risk committee often did not necessarily have visibility of issues from those committees. There is now one departmental audit and risk committee getting reports from various sections.

When I arrived, we did not have a list of all our contracts in the Department or when they were due to expire. We have now got that. We have a contract management system that details every contract and shows when it is due to expire. Importantly, it has the original cost, and it tracks expenditure. It tells us who the project manager or SRO is so we can see the capability and whether people are managing more than they should. We now have those discussions at our board. We have been piloting that system in the Department of Finance, and it is going to be rolled out to other Departments. That is actually either in play or under way. So, very different. I am not afraid to stop projects if I think we have not got the money or it is not going to be value for money. The culture is very different. It is a strong culture now about not wasting public money, not that I think that people necessarily wasted public money. That is where we are, so it feels different.

The Chairperson (Mr Humphrey): You say that there is a strong culture now.

Ms Gray: Yes.

The Chairperson (Mr Humphrey): I understand that you came to the Northern Ireland Civil Service from the mainland Imperial Civil Service.

Ms Gray: Yes.

The Chairperson (Mr Humphrey): Does that suggest that there was not a strong culture when those contracts were negotiated and in the management of them?

Ms Gray: What I have been able to bring is experience from the Cabinet Office and the functions and professionalisation of our staff there. We run assessment centres here now. I have appointed a commercial director. In a lot of the contracts we are working with, there are things you can learn and apply that practice elsewhere. That is what the commercial director is bringing. We have involved the Cabinet Office complex transactions team and their commercial relationship managers. We are using everything we can to try to get the best value for money.

The Chairperson (Mr Humphrey): But my question was — your words were, "strong culture now".

Ms Gray: I can speak about —.

The Chairperson (Mr Humphrey): But, from the fact that you have talked about what you and colleagues have now put in place, this Committee and the people of Northern Ireland would be absolutely justified in reaching the conclusion that there was not a strong culture in place. In fact, there was a laissez-faire, could-not-care-less attitude.

Ms Gray: I do not —.

The Chairperson (Mr Humphrey): Here are two contracts, and a senior official in your Department says, "So what?"

Ms Gray: On nidirect, we did a deep dive. The other thing we do in the Department now is use our departmental audit and risk committee to have deep dives into projects. The deep dive meeting is covering just one project. It will cover one project in a lengthy discussion. The non-execs, the NIAO and internal audit are there, and we stress-test that project. The individual who was managing this project was, I believe, doing his best. I think that there probably needed to be more resource, and, as you know, we split how the contract was managed. It is a different way of working.

Mr Duffy: During my current time in DOF, I have been working with colleagues on three contracts that have been in place for quite some time. They are separate contracts to this one. We have very strong contract management teams in place overseeing each of those. The contracts have been in place for some time, and they are being very well managed, certainly in my view. The contractor is performing and is being held to account, so I do not think that there is a systematic issue across DOF with contract management. I am not excusing it in any way, but I would hope to say that these are two rare examples.

The Chairperson (Mr Humphrey): Yes, but we are looking at two examples today that make very stark reading for your Department, Mr Duffy.

Mr Duffy: I accept that.

Ms Flynn: To follow on from some of the comments that were made about the issue of the seven-year contract, I do accept, Sue, that you and some of your team are relatively new in post and were not around at the time of the nidirect transformation project and LandWeb. Maybe just with hindsight, with your experience of working in the Department —. All of the things that you have mentioned around the contract management system that you have in place sound really good, and you have the list of contracts and when they expire, and that all sounds great. However, what sort of took us all by surprise when we were discussing it last week was how it went unnoticed after seven years with that contract with BT — how there was no oversight or planning or preparation when you were coming up to the end of the contract. That was obviously missed. You mentioned that there is now one overall audit and risk committee. If there were several, that might have been part of the problem. In your opinion, was this down to a wider skills deficit among the Civil Service, or could it have been down to a

general lack of focus on cost? Again, I am just asking for your opinion, because I know that you were not in the Department at the time.

Ms Gray: I cannot explain why it was referred to as a 10-year contract when it was a seven-year contract with a break point for that extension. I do think that the team that were working on it were working hard. As I think Paul said, this contract was the victim of its own success in a way; it ended up having more work going through it. I can talk about where we are now. I do not want to undermine the people who worked on this previously. I do think that they were working hard, and, for whatever reason, the action did not get taken that needed to be taken to break that contract.

Mr Duffy: To add to that, one of the key lessons learnt from this report is that we need to ensure that we have the right people with the right skills looking after certain aspects of service delivery. In this instance, we probably had a very small team that was trying to transform services and to support Departments in doing that. The team was also trying to monitor the contract and do lots of other things. We have to recognise that people were spread too thinly, and what we have done about that now is that we have separated out that team. We have a dedicated team with contract management skills and support from our procurement specialists managing the contract, and we have a separate team that is doing the transformation work and the exit of the current contract. Very clear lessons have been learned from this report that we need to resource those areas properly with the right skills.

Ms Gray: Previously, that was all done by one small team.

Ms Flynn: I have just one more, quickly, in relation to the LandWeb project. Can you provide any reason why there was a 10-year lapse since the 2010 report and recommendations? Are there any specific or glaring reasons why those recommendations were not acted on or implemented in those 10 years until the 2020 report?

Ms Gray: Ian, are you able to —. I know you have got the detail.

Mr Snowden: Of the eight recommendations that were made in the 2010 PAC report, I would say that seven were implemented. One became unnecessary to implement because of the passage of time: the issue that had been raised by the PAC had been resolved before the time came to implement any of the recommendations. We were able to implement all of the other seven recommendations in full to the expectations of the Public Accounts Committee. There was one that related to pursuing value-for-money mechanisms in the LandWeb contract when the break clause negotiations were under way in 2011. We did pursue those options and look at them in some detail at that time. Unfortunately, it was not possible to negotiate the inclusion of those mechanisms in a revised contract in a value-for-money way, so the Department decided that it was not worth the cost that would be involved in retrofitting those mechanisms into the contract, and we did not pursue that when the contract extension was agreed.

Mr Hilditch: I share the concerns that other members have expressed this afternoon. There were positives to it, as you say, but with the information that we have before us today, obviously, the negatives tend to outweigh them. I am minded to compare the general Civil Service attitude to the away team in a football match. It sits in to play for a draw and keep things steady, but the home team scores with five minutes to go, and then there are panic stations. The trait seems to be, "Don't do anything until we have to". Again, even yesterday, a Department came to this very room to ask for £30 million to rectify some legislation that had not been updated since 1989 and to apologise that that had not happened. I am talking about the Civil Service in general.

I have concerns about the overall management of the situation. As it went along, who had the approval for the overspends, and was that communicated to anybody in the Department? Obviously, in the case of LandWeb, a whistle-blower came forward, but surely potential overspends of that nature would have been discussed in the Department. Did it have to take a whistle-blower to come forward to alert the PAC to the situation? Was it being kept quiet, basically?

Ms Gray: No, it was not being kept quiet. It is not just something that has happened since I arrived, but those issues would have been discussed with internal audit in the room. I will let Ian deal with that particular issue.

Mr Snowden: The issues that were referenced by the whistle-blower in the Audit Office's update report had been well known since before 2010 when the Public Accounts Committee last looked at the

LandWeb contract. Indeed, there have been several exchanges of correspondence between the Northern Ireland Audit Office and Land and Property Services in relation to things like, for example, the level of fees over the past number of years. It did not take a whistle-blower to bring those issues to light. All the information about the LandWeb contract is published online on the gov.uk website. There is a register of PFI contracts, and the full details of the contract are on that. In addition, we have answered a number of queries from the Audit Office and from the media over the past number of years about this project, and we have been quite open about it. Information about the contract, the fees income and the surpluses that were being generated by the Land Registry was all openly disclosed in the Department's accounts. There was no attempt to disguise any of those issues; they were all openly declared.

Mr Hilditch: The report indicated that there was:

"no evidence ... that the LandWeb ... has delivered value for money."

How was that benchmarked? How was it deemed to be value for money? Were objectives achieved at that stage? How were they assessed?

Mr Snowden: The original objectives of the LandWeb contract were, largely, to digitise the whole process to make it much more efficient and run more smoothly so that the time taken to process applications would be substantially reduced. The cost to customers would then be reduced on the back of that. Quite a number of benefits have come from the LandWeb contract itself, and those were recognised in the 2008 Audit Office report.

Subsequently, in this update report, it is said that the original contract and the value-for-money report undertaken in 2011 had shown that the contract represented value for money. The issue that the Audit Office has picked up on this time, if I understand correctly, is that, whilst we have made efficiencies and savings in the Land Registry, we have not been able to pass those on to the end users of the service.

Mr Hilditch: There has been an admission that those dealing with it did not have the skills. I think, Paul, you spoke about that. Is there a lack of management skills or business acumen in the Department?

Mr Duffy: With regard to the nirect contract, at the time, the appropriate people, with the required skills to manage the contract, were not in the team. The contract was being managed by — no disrespect to my colleagues — IT professionals who were very focused on supporting Departments to deliver transformation. I suspect that they did not have the right skills around contract management and financial controls.

Mr Hilditch: Would you deem that lessons have been learned and that it is a much different position today?

Mr Duffy: Yes, as I said to the Chair, we have put in place two separate teams. We have a team to manage the contract who are specialists in contract management, and we also brought someone in from our procurement division to give additional support. The teams who are skilled and specialised in the IT aspects and transformation are leading on those parts of the contract. We have very much separated it out and ensured those with the right skills are looking after the correct areas. That is a key lesson that has been learned from this report, and I can assure you that, in a number of other contracts that I am familiar with in the Department, the same procedures are now in place. In three contracts, that I am working closely on at the moment, each has a dedicated contract management team in place.

Mr Hilditch: In the PAC in 2010, the accounting officer said that:

"with the benefit of hindsight, that if we were doing it now, we would do it differently. We would certainly take account of the guidance that is around and incorporate those types of conditions into the contractual position".

How long did it take the 2010 message — that lessons could have been learnt much quicker — through to the Department?

Mr Duffy: That was a comment in respect of LandWeb at the time.

Mr Hilditch: LandWeb, yes.

Mr Snowden: In Land and Property Services, we are currently working on a complete transformation of all the services, not just the land registration system but also rate collection and property valuation. As part of that process, we are now using the model contract for digital services from the Cabinet Office. That includes a full range of value-for-money mechanisms in the contract, including open-book accounting, benchmarking, full access rights for our internal audit and Northern Ireland Audit Office, and yearly reports from the supplier on their cost model and full disclosure of costs, expenses and profit margins. We have definitely learned those lessons and have applied them quite rigorously to the contracts that we are now taking forward and our lettings over the next year or two.

Mr Boylan: You are all very welcome. Paul, I do not know whether you have jumped from the frying pan into the fire. The last time I was talking to you, you were in the DVA and at a different Committee. Good luck in your new post.

Just to pick up on some of the points. Ian, with regard to the LandWeb, the original contract started in 1999. What is to stop it from being a 25-year contract? I see it is to run to 2021. Are there any assurances that that will not continue? It has risen in price by 138%, up to £107 million, over the years. Is that correct?

Mr Snowden: In cash terms, yes, we expect that the total amount that will be spent on the project by July 2021 will be around £107 million. When it was let in 1999, the original contract value was £46 million at 1999 prices. The cost increase over that period has partly been caused by inflation. The contract, when it was originally let to core service for the Land Registry service, was to be paid by transaction fees. Therefore, every transaction process through the system would attract a charge that would be paid to BT. That is currently sitting at around £60 million with the impact of inflation over the 21-year period. If you discount those figures, you actually end up with around £45 million being spent through the core of the contract.

The rest of the increases have come from additional services and enhancements that we asked BT to provide. That subject was fairly rigorously discussed at the 2010 PAC, I think, and the permanent secretary at the time admitted that the Department had made a number of errors in the scoping of the contract originally, the principal one being that the registry of deeds had not been included in the scope of the project. The explanation that was given at the time was that the introduction of compulsory first registration of property when it transferred would eventually make the registry of deeds redundant, and that, therefore, it did not need to be included in the scope of the project. Time has shown that that did not happen in the way that was expected. We then had to retrofit that service into the contract, which was a substantial cost. A training suite was added. A number of other additions were made to the contract. With the benefit of hindsight, and probably a bit more foresight at the time, those things could have been included in the original contract. That has definitely added to the increase in costs.

The biggest single item that has added to the cost is the casework assistance support that was provided, which is essentially a staff substitution measure. We employ caseworker staff through the BT contract rather than recruit civil servants. It gives us more flexibility with the staffing situation in Land Registry. That arrangement is periodically reviewed; the last two times, I think, being in 2017 and late 2018. On both occasions, it was found to be a better value-for-money option than stopping the casework assistance contract and bringing in permanent civil servants. That has added around £25 million to the cost of the LandWeb contract, though it is a cost that we would have had to incur in any event if we had recruited civil servants to do the work instead. That explains how the contract has moved from £46 million to £107 million.

The first part of your question was about whether the contract would extend beyond July 2021. It will extend beyond July 2021. As I previously mentioned to Mr Hilditch, Land and Property Services is engaged in a number of digital transformation projects. One of the lessons learned from previous digital transformation projects and other activities like that is that, if you try to take too much on at the one time, you run the risk of failure. The Department decided that, in the Land and Property Services projects, the rate collection system would be prioritised for procurement on the grounds that it would deliver the greatest monetary benefits for Northern Ireland. That contract will be let in December 2020. We are currently in the final evaluation process for the tenders. We expect to let that contract in December, then we will go to the market with the LandWeb system in 2021.

It is a complex system. We think that it may take two years to complete the procurement process. That was around the length of time that it took to complete procurement for the rate collection system. It will probably take two to three years to implement the new system. Therefore, the existing contract will have to be extended to maintain Land Registry services while we are procuring and implementing the new system.

Mr Boylan: To follow on from that, Sue and Ian, obviously, we have to ensure that there is value for money. What have we learnt from all the audit reports? I know that we are all coming to it late. I see simple stats and time frames. Do we now have the skill set and capacity to deliver value for money with this project?

Ms Gray: I believe that we have. I believe that, in the Department, we are fortunate. We have procurement professionals. We have professionals in both teams, who are all working closely together. The negotiation that will take place with suppliers is happening at a very high level, and along with that, we are using Cabinet Office expertise, so they bring wider experience and expertise. Also, they, of course, are often negotiating with suppliers, and bringing, I suppose, bigger bucks to bear, and that is actually proving to be very helpful.

Mr Boylan: Finally, with regard to the up-to-date recommendations in the audit reports, are you taking those on board with regard to the fees order, future agreements and contracts before agreements expire, and all of those things?

Ms Gray: Yes. I think that the contract-management situation that we have is highlighting those issues much earlier than ever before, so we have an opportunity, much earlier on, to discuss and to get the best value. I think that work has been done on the fees order, and Ian will be able to confirm that. Unfortunately, we were previously unable to progress the fees order when the Assembly was not sitting.

Mr Duffy: Chair, I will add that the implementation of the recommendations in each of the reports is being monitored by the Department's audit and risk committee. They are before the committee this month to be reviewed to ensure that they are being delivered on.

The Chairperson (Mr Humphrey): Before I bring other members in, I have a couple of observations on the answers so far. Since these contracts were signed off, first in 2010 and then in 2012, I think that there have been four accounting officers in that Department. Mr Hilditch read a quote from the then accounting officer in 2010. The Audit Office gives reports, and the Audit Office has obviously raised and waved red flags on these issues, but what about your internal auditors and audit teams in the Department? What were they doing?

Ms Gray: We now have a group —.

The Chairperson (Mr Humphrey): No, not now, what were they doing then?

Ms Gray: Sorry. I assume that they were part of the audit and risk committees.

Mr Duffy: Yes, so there would have been a range of topics and subjects that the internal audit team would have looked at throughout the year, and they would have provided reports to the accounting officer. It is about whether or not this particular issue was covered as part of their internal audits.

The Chairperson (Mr Humphrey): Mr Duffy, was that done in 2011, 2012, 2013, 2014, 2015 and on?

Mr Duffy: There would have been an audit programme for each of those years.

The Chairperson (Mr Humphrey): Was it not picking up those gross overspend figures?

Mr Duffy: The audit plan would tend to look at a number of high-risk areas across the Department, so unless this had been flagged as a high-risk area, then it would not have been within the audit programme. I certainly know that the internal audit —.

The Chairperson (Mr Humphrey): When you say "unless it has been flagged", you can understand that, for us, as public representatives, we do not understand "unless it has been flagged". I have listened to your answers to questions, and both of you used the term — I think that it was a reference to Northern Ireland Direct — that it was a "victim of its own success". I hope that its success was to the value of £60 million, because I am not sure that that provides value for money. It is probably impossible to quantify how much that success is within that £60 million extra bracket. However, these are two contracts that should have cost Northern Ireland plc £96 million by the time that they concluded. They will cost, as we have been told today, £217 million. That is £121 million that has been overspent on two contracts, with all that that could have delivered for Northern Ireland plc. I do not believe that that provides value for money, and I do not believe that the term "victim of its own success" can be used in that context, with all due respect.

Ms Gray: On Northern Ireland Direct, I think that it was originally planned that there would be a certain number of contracts which would be delivered through that contract. The number of contracts that were delivered actually exceeded that. The individual projects that went through that contract were the responsibility of departmental accounting officers, not the DOF accounting officer. It was the responsibility of departmental accounting officers to sign those off. When we talk about that term, we are referring to the fact that, originally, there were — were there 12 or 16?

Mr Duffy: Sixteen.

Ms Gray: And, in the end, there were 40 contracts, so it is not comparing like with like. We learnt an awful lot. When this was being developed initially, digital services were, in a way, quite new. That is what we —.

The Chairperson (Mr Humphrey): The fact that there were 40 contracts reinforces the point that, when the contracts were being negotiated in 2010 and 2012, those from the private sector effectively ran rings around civil servants in negotiating these issues in the contracts.

Mr Duffy: One of the failings in the contract at the outset was that there was an underestimation of the extent of digital transformation that was ready to take place. When the contract was let for £50 million, the intention was that around £20 million of that would provide for a modernised contact centre to support nidirect, and that about £30 million was there for Departments to draw upon — well, not draw upon, but to use the remaining part of that contract value to deliver and transform services. On that element, Departments had much more that they wished to deliver. That is one of the reasons why the contract value was exceeded. Each of the projects that went through the contract will have gone through a rigorous business case process, an assessment of affordability and an assessment of value for money within each individual Department to ensure that that spend of public money was going to deliver a benefit.

The Chairperson (Mr Humphrey): From looking at these figures, it is hard to see how the business cases can have been that rigorous, Mr Duffy.

Mr Duffy: These are the figures on the value of the contract. The business cases will have been for the projects that were put through that. The spend on this contract did not come out of, in a sense, the DOF budget; it came out of individual departmental budgets, so they will have gone through that value-for-money process.

The Chairperson (Mr Humphrey): It all came out of the public purse and was paid for by the taxpayer in Northern Ireland. That is the point.

Mr Duffy: I completely accept that. All I am saying is that that process confirmed that those projects were delivering value for money. What was delivered for the taxpayer was a wide range of transformational services. From my experience in DVA, I can speak about the number of services that were put online as a consequence of accessing the contract.

The Chairperson (Mr Humphrey): Before I bring in Mr Muir, let me say this to you: can you sit in front of the Committee and say that the overspend of £121 million, which provided the extra services that you are talking about through those contracts, provided value for money?

Mr Duffy: Chair, just to be clear: I am in no way defending the overspend on the contract value. That was unacceptable. Measures and controls should have been in place to prevent that from happening.

What I am trying to articulate is that a number of very key public services were delivered, and those will have been assessed for value for money through the contract.

Mr Muir: Gateway reviews and other reviews obviously occurred throughout the lifetime of both projects, and those reviews will have come back with findings and recommendations. Why were they not acted upon, and were they fed up to the permanent secretary? Those are established project management methodologies to ensure that we are not in the situation that we are in here today.

Ms Gray: What I can talk about is how it works now. We have put in place a new process. I think that gateway reviews would have come to the permanent secretary only if they were red gateways. Now, all gateway reviews come to the permanent secretary. That seems to be the right thing. Also, alarm bells ring if, when a gateway review is to be conducted, a team perhaps says that it is not ready for it quite yet. That is now a matter that gets flagged, and the gateway review will happen when it is to be done. We have put those arrangements in place. I am afraid that I cannot comment on what happened *[Inaudible.]* I do not whether Paul and Ian, who have been here longer than me, are able to talk about that.

Mr Duffy: There was a gateway review of the nidirect contract in 2016. It was given an amber rating, and a number of recommendations were taken forward and implemented. As part of that gateway review, a number of issues were flagged up about the lack of innovation from BT, but the most telling recommendation was that the contract had outlived its useful life and that a new contract should be put in place. The volume of projects that were going through that contract was much greater than what was anticipated, and therefore that contract should be brought to a close and a new one procured. That is where we got to in 2018. The preparations for the procurement process are under way, looking to procure a new contract by 2022. Another key lesson that has been learned from this report is the need to look and plan ahead for procurements and contracts that are coming to an end. Those steps are already in place for when this contract ends in 2022.

Mr Muir: You have outlined quite a lot about what is being done now to ensure that there is no repeat of what happened in the past. It is clear that what happened in the past was unacceptable. You are the lead Department for project management and issuing guidance to other Departments, non-departmental public bodies and all the rest of it. How are you ensuring that that filters down to other Departments, arm's-length bodies etc so that this does not occur in another Department?

Ms Gray: That is absolutely right. One of the things that we have been doing is spending a lot more time making sure that our staff have the right skills to manage those contracts. The Cabinet Office is running commercial assessment centres for us, and the NICS board has recently agreed that those will be rolled out across other Departments. We piloted those in our Department first and put our staff through them, and they are now being rolled out across other Departments. The gateway review issue now also applies to all Departments. As we develop things, we push those lessons out. Some Departments may have already been doing that, but we have made sure that we have formalised it. That is a key difference. It is the same with our contract management. The system that we have developed is, I think, being rolled out to other Departments. Paul, is that correct?

Mr Duffy: Yes. That contract management tracking system has been piloted in DOF and will now be rolled out to other Departments. Some of the other things that have been put in place to strengthen those controls on project management include new guidance on project management being issued to all Departments. One of the key aspects of that is the creation of formal SRO appointment letters. Anyone who is going to be responsible for leading a major project will now be formally appointed to that position, and the letter will clearly set out their roles and responsibilities and what they will be held accountable for. The letter will also state that, if there is a PAC hearing on that project, that SRO will be expected to be accountable to the PAC for its performance. It clarifies roles and responsibilities for those who are involved in projects, which is another very important lesson that has been learned from the report.

The Department has also put in place a formal project management profession and is looking at the skills and capabilities across the Civil Service for delivering projects. We are also ensuring that they make use of some of the training opportunities that are available through the Cabinet Office. It has a number of project management leadership courses that staff are being encouraged to attend. If you are the lead on a project of a certain quantum or value, you must have been through that formal training process before you can be given that role. It is about ensuring that we do not put a generalist or someone who does not have the necessary skills into a role that requires certain skills.

Mr Muir: That was my next question, and that is an important issue. How many SROs were there for each of the projects over their history?

Ms Gray: I am not able to answer that. We can come back to you with that information.

Mr Duffy: I suspect that there was potentially one for the nidirect contract.

Mr Muir: There was one?

Mr Duffy: I will have to double-check that, but that is my understanding. I will clarify that.

Mr Muir: One of the risks is in there being multiple SROs. If there was one, there are clear responsibilities. The last one is that the total contract costs are forecast not to exceed £110 million by 2022. How confident are you that that will be the case and that it will not exceed that amount?

Ms Gray: As Paul outlined earlier, we have up-to-date costs of the project. We are confident that that will be the case. The figure before the £110 million was around £70 million. In getting to that £110 million, we did quite a lot of work to make sure that this would be the once-and-for-all figure. When we did this in 2019 *[Inaudible.]*

Mr Duffy: I think it was 2017 or 2018 when the decision was taken that no other projects would be facilitated through this contract. No new development is happening. There have been some very recent minor developments in responding to the COVID-19 situation, for which this contract has facilitated a number of things. However, there is no new development going through the contract. The spend between now and 2022 is in respect of ensuring that the contact centre continues to be delivered to support public services. Also, all those transformed services that have been developed through the contract need to be maintained. They are being maintained so that citizens can access those until the end of 2022. That is what brings the cost fully up to £110 million.

Mr Beggs: It is frankly shocking how public money has been used in this area. The major project was the strategic partnership project. Do you accept that there has been little strategic thinking in the choice of the areas that have been investigated or improved?

Mr Duffy: In terms of prioritising the projects? In 2012, when this contract was signed, a piece of work was undertaken to look at the potential for digital services across the Northern Ireland Civil Service. Departments were asked to identify what public services they were in a position to digitalise for citizens. Around about 120 potential services were brought forward as part of that process. They were then prioritised down to 18. The main driver for prioritisation was the volume of transactions that that service would provide.

Mr Beggs: Should that have been the right criterion? Surely it is about cost-effectiveness and the difference it makes to citizens' lives, not just a number.

Mr Duffy: It was not just purely that. The criteria were around the number of transactions, and that level was anything over 10,000 transactions. It was also those that would deliver savings or have the greatest impact on citizens. The other thing to bear in mind is that, around that time, Departments had to be ready to move to use the contract. Some Departments may not have been in a position to digitalise their particular services, or may not have had funding available to do so.

Mr Beggs: Some £1.4 million was spent on developing a system to buy a fishing licence. I had a quick look online, and you have to put in which licence you want, your details and your date of birth, and then pay for it. Did you consider using Amazon, instead of spending £1.4 million? It is a very basic purchase. Is that a good use of public money?

Mr Duffy: The decision as to whether that was good value for money will have been determined by the Department of Agriculture. I assume that it was the Department of Agriculture that was doing fishing licences.

Mr Beggs: Who is responsible for such choices? Who is accountable for it?

Mr Duffy: There is not a single person who can decide what each individual Department prioritises, so it was for Departments to come forward. I accept that selling fishing licences does not sound like a particularly exciting or novel service to be transforming early on in this process. However, there are around 44,500 licences issued per year, which brings in an income of £0.5 million, so it does impact upon quite a number of citizens. At the time, that was probably a project that was ready to go live or be developed. In lots of other areas, they may not have been just as advanced at that stage. Bear in mind that this was 2012, and a lot of Departments were only starting their digital journey.

Mr Beggs: I turn to the landlord registration scheme: £1.2 million or £1.3 million. Again, there is not a huge deal of interaction with the person using that service. Basic details are being recorded. Is that good value for money?

Mr Duffy: I will have to bow to Ian on that one; that is an LPS service.

Mr Snowden: It is a DFC — Department for Communities — service. However, I used to be the director of housing, so maybe I ought to try to answer that for you, Mr Beggs. The landlord registration system was an attempt to, for the first time, get a list of all the residential landlords in Northern Ireland in order to allow for the regulation of landlords. It is not about simply producing a list; it also has all kinds of functionality on contacting landlords and following up issues with them.

Mr Beggs: Do you accept that there are many other areas that could benefit citizens more because there are many more interactions? One that happened in other places was the digitisation of applications for repeat prescriptions. Millions of applicants rather than thousands could benefit from that. Do you accept that there are other areas, such as Health, Justice and, in particular, local government, which have a much greater impact on citizens' lives, that could have benefited everyone much more and brought in much more in savings?

Mr Duffy: The contract for digital transformation was not the only one that was being used at that time. The Department of Health had its own transformation programme, which was delivered through its Business Services Organisation (BSO) working closely with the health board and the individual trusts. E-prescriptions were developed through its contracts and transformation. If you look at the scope and value of the health sector's transformation projects, such as the Encompass project, which was recently announced, you see that it was £275 million. The transformation projects in Health tend to be of quite a significant value, but it has mechanisms in place in order to transform the services in its sector.

Mr Beggs: Is there a need for joined-up thinking? It was interesting to hear you talk at the start about the Northern Ireland identity assurance that you are looking at. That can apply to Health just as it can to every other aspect of government. Would that not have been an obvious starting point for a strategic digitisation programme?

Mr Duffy: I completely accept your point; more needs to be done in collaborative e-working across sectors. We have established a digital transformation steering group that has representatives from central government, local government and the health and education sectors. That looks at how we can bring together transformation journeys for citizens that cut across boundaries. There are a number of common tools — it is termed a toolkit — through the nirect contract, so there is the ability to go online and pay for things. The piece of software that allows you to do that is available to all public-sector bodies and has been used by some. They do not have to pay a developer to develop that for their unique system; there is sharing of some of that work.

Mr Beggs: Proof of identity is a requirement for some things that happen online. Everyone in Northern Ireland who pays tax can, if necessary, log on and register through HMRC and go through its system. Are we going to invent and pay for another system to verify identity, or are we just going to plug in to an existing design?

Mr Duffy: The challenge is that GB citizens who want to apply for a driving licence with the DVLA have to verify themselves through a system that is different to the one that HMRC uses. There is not even a single system across GB. That is a flaw. Ideally, we want a single identity assurance system across many countries for the citizen. That is a challenge at the moment.

Mr Beggs: I will turn specifically to continuing to issue extensions to existing contracts. When you seek an extension, do you accept that, unless you have the time and a detailed plan for a

replacement, you have no negotiating power and are going to be taken to the cleaners by the contractor that you are talking to?

Mr Duffy: If you find yourself in that position, you have certainly weakened your hand in negotiating. We have not been in that position with the arrangements that we recently put in place for a new commercial director. We have been working with some of our strategic suppliers, drawing in the Crown Commercial Service and the Cabinet Office, so we have been leveraging the UK position with some of the suppliers. The situation that you describe certainly weakens your position and is not where you would want to find yourself.

Mr Beggs: The Strategic Partner Project has been extended by three years. Can you give an assurance that adequate time will be put into a new contract?

Mr Duffy: I can give you an assurance that work and plans are under way to put in place a new contract by October 2022.

Mr Beggs: Turning to LandWeb, which was originally due to finish in 2016, the breakpoint was missed and then extended to 2019. There was then a second extension to 2021. Bearing in mind that, when LandWeb was established, much of the cost was up front for, for example, the design of the system, the equipment and the training of all the staff. There was a large front-loaded fixed cost, and the rest will be the profit that comes in thereafter. We have been giving profit to BT every time that we have extended. My question is this: can you assure me that we will have it replaced by 2021, or will there be another extension that will cost taxpayers more money than it should?

Mr Duffy: I will defer to Ian on that one as he is from LPS.

Mr Snowden: The contract will be extended from 2021 onwards. In answer to Mr Boylan's question on that, I pointed out that we have a number of those projects in LPS and that a decision was taken back in 2016 that the procurement of the new rate collection system would take precedence since it delivered the greatest monetary benefits for Northern Ireland. The consequence of that is that the procurement of the LandWeb system has to follow on from the procurement of the rate collection system. We will have to extend the current LandWeb contract in 2021 in order to ensure the continuity of the service whilst we are procuring and building a replacement system for land registration.

The contract extension that was negotiated in 2018 and that was carried forward into 2019 and 2020-21 secured a 30% reduction in the transaction fees payable to BT. We are in the middle of negotiations with BT on the further extension, and we are looking for further reductions and discounts on the transaction charges that were secured across a number of other benefits enhancements in the contract as it moves forward.

Mr Beggs: One of the earlier recommendations — I think that it was made around 2015-16 — was that there should be open-book accounting. Do you accept that the failure to have open-book accounting inserted into the contract in 2016 weakened your hand for negotiations in 2018 and will again weaken your hand in the next round of negotiations? Why do we not have open-book accounting built into such lucrative contracts?

Mr Snowden: It was not built into the contract when it was signed initially in 1999. The permanent secretary who gave evidence to the PAC in 2010 accepted that that was an error. Looking back, we should have done that differently. The position that we had when we came to negotiate the break option in 2014 was that it would involve a fundamental change to the contract with BT. BT declined to offer that at no cost to the Department, and the cost was presented as being around £50,000 per year. When we looked at that option, we considered that it did not represent value for money over the lifetime of the extension.

Mr Beggs: Do you accept that, in 2016 when you negotiated it, you had no idea whether it represented value for money to the taxpayer?

Mr Snowden: Do you mean the extension that we were negotiating —?

Mr Beggs: You would then have had three years to put a replacement system in.

Mr Snowden: As I explained, we took a decision in the Department that the rate collection system was the priority and that the land registration, therefore, would have to be deferred. We started work in 2015 on the replacement for all these systems, but, with the other digital transformation projects that we were going to deliver in LPS at that time, a decision had to be taken on how we would prioritise the efforts rather than trying to take on too much at the same time. With open-book accounting, could we have got a better deal in 2018 when we negotiated the two-year extension? Having looked at what is on the table at present, I think that we probably would have had to secure a reduction of around 40% in 2018 when we negotiated the 30% reduction. Nothing approaching that is on the table for discussion. The upshot of that is that we would not have got a substantially better deal in 2018 than we were able to secure at that time. In addition, in 2016 we secured a contribution from BT of £100,000 per year to an innovation fund that is specifically for enhancements to the LandWeb system. As a result of that, since 2016, we have spent very little on change requests on the system.

Mr Beggs: Do you accept that you have no idea if excessive profit is still being made by BT under these contracts?

Mr Snowden: The contract is probably now profitable. I do not know if you recall, Mr Beggs, but in 2010, Craig Aspey from BT said that he suspected that BT would never see profits from LandWeb. I do not think that I agree with that assessment, although I would not suggest that there are superprofits.

I mentioned the impact that inflation had on the cost of the contract. If we rebase all our payments to date at 1999 prices for what has been paid to it under the core contract, which is the continuation of the fees that you alluded to at the start of the question, we find that the current total now runs at just short of £45 million compared with the estimated £46 million when the contract was signed. I am sure that BT has made a profit from the LandWeb system, but I do not think that it has made an excessive or a superprofit from it.

Mr Beggs: We do not have the final figures, so we do not know.

I have a final question for the permanent secretary. Do you accept that, if there had been open-book accounting, there would be greater transparency in the next level of bidding for a new project? The replacement may even be cheaper than what you may have to pay because the other customers do not know what the cost has been. Can you assure me that there will be open-book accounting so that you do not have to negotiate for it and it is built into it from the start?

Ms Gray: We look at a lot of what we are doing in contracts and our schemes. We look at open-book accounting. That is something that we are looking at. On this contract, we have a member of the Cabinet Office complex transactions team on the negotiations as well as our own commercial director, and I will definitely stress-test that. I will get their advice if that is the right thing to do, and, if it is, we will do it.

Mr Beggs: OK. Thank you.

Mr Duffy: Sorry, Chair, there was an issue with the Department not having the accounts on the indirect contract from BT. That situation has now been rectified, and we now have all the accounts from BT dating back over the life of this contract. They have been received over the last year or so.

Mr Beggs: Have they been made available to the Audit Office to help with our report?

Mr Duffy: I do not think that they have been provided to the Audit Office.

Mr Beggs: Can they be?

Mr Duffy: I would have to check the published accounts.

The Chairperson (Mr Humphrey): Public money is paying for them, so there is no reason why they should not be.

Mr Duffy: Yes, and I assume that they are published accounts.

The Chairperson (Mr Humphrey): How many years are we talking about?

Mr Duffy: I do not know offhand, but I suspect that we have its accounts for the last three or four years.

The Chairperson (Mr Humphrey): Possibly since 2017 when this revision took place —

Mr Duffy: Yes.

The Chairperson (Mr Humphrey): — but not before.

Mr Duffy: I could not say. I just know that we are now in receipt of the accounts that we requested in the past.

The Chairperson (Mr Humphrey): If you could provide them to the Audit Office, that would be useful, Mr Duffy.

Mr Beggs: I will just make a small point on the accounts. Do you accept that companies can sometimes manipulate the final accounts? Unless you have the full detail you do not know if excessive costs are being built in by some in the organisation for associated costs. You might not know the real facts simply by the final accounts unless you have the real detail. Do you accept that?

Mr Duffy: I imagine that the accounts were prepared according to the necessary accounting standards, but I suspect that it would be very hard to drill into them to identify the information *[Inaudible.]*

The Chairperson (Mr Humphrey): I know that you are not suggesting that that is the case with BT, Mr Beggs.

Mr McHugh: Fáilte romhaibh uilig. You are all very welcome. Much of the ground has been covered, and I am inclined to agree entirely with what Mr Beggs said about open-book accounting. I reflect on when companies were building windmills in west Tyrone and met us, as councillors. For each megawatt, I think, produced, they were offering £1,000, when we knew that, in fact, somewhere in the region of £5,000 to £6,000 should have been going to community associations. The excuse that they used for that was, "Well, when we do the books, we cannot offer any more". We said, "Well, we can count, too. Let us have a look at the books, and we will soon see whether or not it is right". I cannot help but feel that there was a certain degree of that with BT in the LPS project. We have already talked about inefficiencies and the inability or lack of expertise in negotiating a contract in the first instance. However, at the end of the day, if the Civil Service did not have that expertise, BT, without doubt, did. BT will have known exactly what it was doing. When it was being overpaid for a service, it knew that exactly. So, in one respect, I think that BT is culpable as well.

I also cannot help but feel that it was a wee bit like a cash cow for Land and Property Services. It was meant to be cost recovery from the customer. Yet and all, we now know that customers were being overcharged grossly for the service. It is offered to us an explanation or excuse that the money that went into that particular department was being reutilised for the general public. That does not take away from the fact that those who used the service were, effectively, being unfairly taxed. That is exactly what it was. It was like an indirect tax, in that those people were being overcharged. I would like to think that, moving on from here, we have, in every respect, a much more robust system for arriving at a fair cost to the customer for the use of services and so on. I would like to know what we have in place to deal with that.

Another point jumped out at me when reading through the report. Again, it goes back to the points that Mr Beggs made about open-book accounting. In 2019, BT was able to give a rebate of £1.8 million without open-book accounting. That implies that BT knows how much it can afford. We would like to see whether BT can make a greater contribution. We talk about value for money. It is not just value for money for the Civil Service in general in respect of taxpayers' money, or even BT. The people who make use of the service should be guaranteed that they will receive value for money as well. As I said, these were merely observations that I made.

I have one final point. Consultants looked at the Strategic Partner Project and concluded that they had done OK, whereas, in fact, that does not seem to have been the case. There seems to have been a

deficiency there, too, in that they had fallen down on what they were expected to deliver. I ask myself this: who audits the consultants? When they come along to look at these things, is it a tick-box exercise for them? Once again, they probably receive large amounts of taxpayers' money.

I just make those general comments.

Mr O'Toole: Thanks, permanent secretary and Paul, for coming in. I have a few general questions. First, we spoke at the beginning about the new relationship with the Crown Commercial Service. Does the Northern Ireland Civil Service have a strategic supplier framework?

Ms Gray: We have started to put one in place. We have started to create strategic supplier relationships. We are just starting on that journey. We are working very closely with the Crown Commercial Service on that.

Mr O'Toole: They may not be called Crown representatives here, but will there be Crown representatives?

Ms Gray: We will look to have the equivalent, with support coming from the equivalent in the Cabinet Office, which, of course, has greater oversight of those kinds of things. We have started on that.

Mr Duffy: Just by way of illustration, I had a conversation with one of our strategic buyers last week. As part of the conversation, one of the Crown Service's representatives was on that call *[Inaudible]* engaging with that supplier.

Mr O'Toole: When Carillion collapsed, the Cabinet Office took a huge look at how it managed procurement and these big partnerships, and it produced a new MOU. I should declare, Chair, that, when I worked in the private sector after I left the Civil Service, I was advising one of those strategic suppliers for a period. That is partly how I knew something about it. Obviously, I do not any more. Did a similar exercise happen in Northern Ireland? Do we know? Was there a structural look at how we manage strategic suppliers at that time?

Ms Gray: I do not know about that time. What I know is what we do now. We are very much building on what the Cabinet Office has done. In a recent contract, we brought in the commercial representative, which was great because that representative was able to put our issue on the agenda. When the chief executive of the Cabinet Office was talking to that supplier, our issue was on that agenda. That was really *[Inaudible.]*

Mr O'Toole: For most of the period of this contract, until the last couple of years, did that relationship, the outsourcing of outsourcing expertise from Belfast and London, just not happen? Was the approach just that procurement happened from DOF here — the Department of Finance and Personnel, as it was — and it was just, "We did our best", basically?

Mr Duffy: Once the contract was let, it was managed within that particular business area. The approach now taken, as Sue said, is that we have appointed a commercial director, who has sight of all our strategic contracts and engages with all our strategic suppliers. Therefore, individual business areas, if they are having a conversation with a strategic supplier, must have our commercial director sitting with them. That individual can now see the full picture of where that person is *[Inaudible.]*

Mr O'Toole: Must all Departments have the DOF commercial director with them?

Mr Duffy: Not at the moment. That is being rolled out within DOF, with a view to rolling it out further.

Mr O'Toole: OK. At the minute, it is in DOF, but if someone is from the DAERA or another Department, they do not. Will that be the guidance that goes out from DOF?

Ms Gray: That is the plan: that they will adopt something similar to what we are doing.

Mr O'Toole: I do not want to make everything about the renewable heat incentive (RHI) scheme, but I go back to the initial pages of the RHI report. One of the first recommendations is that the devolved Administration should, essentially, look at whether it has the:

"skills and resources to deliver the policy safely and competently."

Clearly, this is less about policy delivery. We are not talking about policy delivery; we are talking about contract letting and management, but there are similarities.

I have lost my place now, but Mr Donnelly, who is sitting a few feet from me, is quoted in the very first few pages of the report, if I can find it. Mr Donnelly could probably quote it verbatim if I deferred to him, "Mr Donnelly's concerns included that" — it feels strange to be quoting you when you are sitting a few feet away, Kieran, but you have enough airtime here, so I will quote you verbatim:

"This scheme has had serious systemic weaknesses from the start. The fact that the Department decided not to mirror the spending controls in Great Britain has led to a very serious ongoing impact on the NI budget".

Though that was about policy delivery, it sounds eerily similar to what you are saying about contract letting in relation to LandWeb and generally: that there was a structural naiveté about in dealing with commercial contracts and with policy. Are there similarities or is that too facile?

Ms Gray: All I can talk about is what we do now. We are putting the teams responsible for these contracts through training in commercial skills and project management, and we have the Cabinet Office very much supporting us in that. I do not know whether Paul can say something about that, not because he was involved in this project either but just because of his wider experience.

Mr Duffy: There is a clear recognition that there are skill shortages in particular areas. We do not necessarily have the right people in the right posts at the right time. As I said to Mr Muir, the project management profession is one area that we have focused on in order to ensure that we have the people with the right project management skills, if they are leading projects. The same can be said about contract management. On digital skills, we recently received a draft research report that looks at digital capability across not just the Civil Service but the public sector to identify skills gaps there. In DOF, we have an ICT profession, where we are trying to create a career pathway. We develop the skills internally for those who will work in those particular areas.

Mr O'Toole: There is therefore a thread running between the improvements that you are making to contract management and policy delivery and those that you hope to make and another thread running between the response to RHI and the response to some of what we are talking about today.

Ms Gray: Very much so.

Mr Duffy: One of the things that we have recognised is that you need to have multidiscipline teams. You need to ensure that you have the variety of skills involved in whatever is being taken forward at that time and that those skills serve that function.

Mr O'Toole: I have one final question, Chair. Regarding wanting to do things constitutionally — when I say "constitutionally", I mean it not in the way in which we always talk about it in Northern Ireland but as in "organisationally separate" — do you think that there is a desire to do things here in a way that is distinct from how things are done in Whitehall? Were there similarities there? It sounds as though commercial expertise was done in a distinct way here even when it was clear that there was not the, as it were, indigenous commercial expertise to do it. Policy delivery was done similarly.

Ms Gray: That is fair. What we are doing now is, I think, reaching out. We have been reaching out for a little while.

The Chairperson (Mr Humphrey): Mr Snowden, I want to ask you about LPS. My understanding is that, for several years now, there have been significant land registration fee surpluses. That is, in effect, an indirect tax. What is being done to address that issue?

Mr Snowden: The fees that are charged through the Land Registry are set in regulations that have to be passed by the Assembly under the affirmative resolution procedure. When the Assembly was not sitting between 2017 and the start of 2020, we were not able to make any changes to the fees. That is why the surpluses were generated. As we drove down the costs of the Land Registry, we increased the efficiency of the operation. Simultaneously, the number of applications that we received increased. What we ended up with was a surplus.

The impact of COVID on the economy, and therefore on the property market, means that the amount of work that is going through the Land Registry has dropped very significantly this year. It is likely that we will, at best, break even with Land Registry income and costs in the current financial year. The difficulty with setting a new fees order looking forward is in trying to work out what will happen over the next two or three years so that we can set an appropriate level of fees that will cover the registry's costs without generating any kind of excessive surplus. That is difficult to do at the best of times. In the current circumstances, it is incredibly difficult.

What we have done is that we have engaged Ulster University's Economic Policy Centre to give us some analysis of what the likely scenarios are for the economy in Northern Ireland over the next two to three years and what kind of impact that might have on the local property market. That will allow us to make some kind of assessment of the volume of business that we are likely to see coming through the registry so that we can set the fees appropriately.

The Chairperson (Mr Humphrey): When will that piece of work with the academics come back to the Assembly for discussion? We all accept that money from the public purse is having to be expended by the Government in the fight against COVID. Announcements are being made today. I fully appreciate that. Equally, however, that can be applied to individual households.

Mr Snowden: We expect to get that advice from Ulster University's Economic Policy Centre at the end of October. It was waiting to see what the impact of the ending of the furlough scheme would be, amongst a number of other things. The Chancellor's announcement today will obviously feed into the whole process. After that, we have to get the revised fees agreed by the Land Registry rules committee, which is made up of representatives of the Law Society and the Bar Council. That, then, goes through the normal process in the Assembly. Our original target was to get that done in the early part of 2021, though with the need to get the additional analysis of the impact on the property market, it may take a little bit longer. We certainly hope have a revised fees order passed in the Assembly in the first half of next year.

The Chairperson (Mr Humphrey): Would you agree with the assertion that LPS customers pay too much for the services that it provides?

Mr Snowden: The Audit Office report of June 2020 said that the surpluses indicated that the fees were higher than they needed to be and, as a consequence of that, users were being overcharged. However, no user has been overcharged in the sense that they have all been charged the fees that are set in the legislation. In normal times, we would have been able to revise the fees downwards, but, unfortunately, that option was not available to us throughout the past three years. So, yes, people have paid slightly more than they would have been expected to in normal circumstances.

That said, the real-terms cost of putting a transaction through the Land Registry now is substantially less than it was before the LandWeb system was put in place. In 2000, the cost of transacting the average house sale in Northern Ireland was £300, but it is now £220. That is a substantial cash reduction in comparison with 2000 but it is also now only 43% in real terms of what the cost was then. Our transaction charges are, on average, slightly less than those in England and Scotland. They are slightly more expensive at the lower end and a lot cheaper at the top end. There is no sense that people are being charged more than they ought to be for the service, because we are charging people what the legislation says we have to charge them. We did not have an opportunity to reduce the fees because of the absence of the Assembly.

The Chairperson (Mr Humphrey): Is that a Whitehall way of saying no? *[Laughter.]*

Mr Snowden: No. I do not think that people have been overcharged in that sense. We could have reduced the fees over a couple of years, but we —.

The Chairperson (Mr Humphrey): OK. When you get your piece of work from the university, would you be good enough to share that with the Committee, if you do not mind?

Mr Snowden: Yes, certainly.

The Chairperson (Mr Humphrey): Before we bring the session to a close, I just want to make a couple of points. Some members talked about RHI. If we go back to a report on PFI by the Audit Office in 2000 and then look at RHI, some of us as public representatives are very eager to hear that the

Department, the Government and Northern Ireland plc learns from those issues. Ms Gray, you said that you were going to look at open-book accounting. Ten years ago, one of your predecessors was going to do the same thing.

Ms Gray: We do look at open-book accounting now, but in relation to LandWeb, as we go into the next negotiation, we will definitely be looking at that.

The Chairperson (Mr Humphrey): As I say — Mr Hilditch quoted it — pretty much the same assertion was being made 10 years ago. You are the third person since that person made that statement to our predecessor Committee. That clearly needs to be looked at. You and your colleagues have provided some reassurances to the Committee today that practices and procedures are in place to deal with those issues, and I genuinely hope that that is the case. However, we have not heard enough — this is for members to discuss when we go into closed session — about what was done over that period before you guys came into office. It is very clear to me that whenever those contracts were negotiated the skill set was not there and nor was it there when it came to managing them or accounting for them. When it came to renegotiating them, I am not convinced that the skill set was there either. We, as a Committee, need to talk about those issues in private.

Mr Donnelly or Mr Stevenson, do you want to ask any questions before I invite our colleagues to leave?

Mr Kieran Donnelly (Northern Ireland Audit Office): I have one or two points, Chair. It strikes me that, when these large, complicated contracts are up for renewal, the preparation needs to be carried out almost years before. Public bodies keep getting caught out with contract expiry. I am a little bit perturbed at the rationale for doing yet another extension on LandWeb because there was not enough breadth to deal with all the contracts that needed to be renewed and the rating system took priority. That is a little bit worrying, and it suggests that there is not enough capacity in the system to deal with a number of the contracts that are running out at the same time.

The Chairperson (Mr Humphrey): Mr Stevenson, is there anything that you want to add?

Mr Stevenson: No, I have nothing to add. The questions have been covered by the Committee already today. Thank you.

The Chairperson (Mr Humphrey): OK. Thank you. I thank Ms Gray, Mr Duffy and Mr Snowden for briefing the Committee and for their time this afternoon. I really appreciate that. The Committee will be in contact to formally request further information that it may want after members have had a discussion.