

Public Accounts Committee

Oral evidence: Managing and replacing the Aspire contract, HC 705-ii

Wednesday, 29 October 2014

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Members present: Margaret Hodge (Chair), Mr Richard Bacon, Guto Bebb, Mr David Burrowes, Jackie Doyle-Price, Chris Heaton-Harris, Meg Hillier, Mrs Anne McGuire, Austin Mitchell, Stephen Phillips, John Pugh, Nick Smith

Amyas Morse, Comptroller and Auditor General, National Audit Office, Gabrielle Cohen, Assistant Auditor General, National Audit Office, Rob Prideaux, Director, National Audit Office and Marius Gallaher, Alternate Treasury Officer of Accounts, were in attendance.

Witnesses: Liam Maxwell, Government Chief Technology Officer

Q200 Chair: We have been trying to get your background, Mr Maxwell. We cannot get it, so perhaps you can tell us. How long have you worked for the Government? Where were you before?

Liam Maxwell: I previously worked as an IT director in business, and I also worked as a teacher. I was also previously a councillor. I joined the Government in 2011 on secondment, and I was recruited formally in 2012.

Q201 Mr Bacon: Which business?

Liam Maxwell: Capita.

Q202 Mr Bacon: Were you the IT director of Capita?

Liam Maxwell: I was an IT director in Capita.

Q203 Chair: An IT director?

Liam Maxwell: An IT director.

Q204 Mr Bacon: Which accounts were you responsible for?

Liam Maxwell: We were doing the recruitment and selection service in the recruitment business.

Q205 Mr Bacon: You mean the Army one?

Liam Maxwell: No, not that one. This was way before that time. It was the recruitment and selection service of the Government of the time, so what was the civil service recruitment board until 2004. Previously, I was with a company that is now called Adecco.

Q206 Chair: You are going to have to speak up a little bit. The acoustics in this room are appalling. How long did you work at Capita?

Liam Maxwell: Capita was 2001 to 2004.

Q207 Chair: So for three years. Was that your main IT experience?

Liam Maxwell: No, I was IT director within Adecco, which was really starting in the UK business and was called Office Angels in those days. That was from 1994 to 2000. Prior to that I started work with Accenture's graduate training scheme.

Q208 Chair: So from 2000 to 2011 you were doing what?

Liam Maxwell: Between 2004 and 2011 I was the head of computing at Eton college, and I was also a councillor in the royal borough of Windsor and Maidenhead with responsibility for technology policy and sustainability.

Q209 Chair: Is it a district council?

Liam Maxwell: It is a unitary authority.

Q210 Chair: Thank you. Sorry about that. We now have a bio in front of us. I am sorry that you felt unable to be at the hearing on Monday. My only apology is that I only realised when I read the Report last Thursday that we needed a representative from the Cabinet Office. It was my fault for asking late, but, on the other hand, I deeply regret that you were in the office but unable to attend a hearing here.

Liam Maxwell: Can I take this opportunity to apologise for that? We did get that wrong, and I am very happy to be here now to help you with your inquiry.

Q211 Chair: Right, but it would have been more helpful to have had you on Monday. The reason we have you is not to catch you out, or anything. If you read the NAO's Report on the Aspire contract, it is a huge contract and we have clearly overpaid for the services that have been provided, and the contract might well have been designed in the wrong way. On the whole, it is delivering what we expected it to deliver, which is more than £500 billion—worth of tax revenues per annum. It is working.

Our first fear is a fear of principle, which is that along comes the Cabinet Office with a new policy, a new bit of ideology and a new set of ideas that it imposes on HMRC. Whatever HMRC said to us, that is the clearly the context in which we think it is working. There is an enormous risk that the change may end up with the revenues that we desperately need not being collected. In considering the imposition of your view, your diktat really—I know it was before you were in post, but it is the Cabinet Office—did you have regard to the massive risks that you were imposing on the Government as a whole, particularly the risk to revenue collection?

Liam Maxwell: Can I deal with the Revenue as an example first, and then explain a little more about the other Departments? On the risk of collecting or not collecting tax, when we work through what is going to happen with the transfer of any service back into Government, it is going to be a similar group of people whom we are managing. The risk we have at the moment is that the contract is managed by a third-party company that has different incentives and different controls. We would like to make sure that we have the control over the programmes that we run in-house in order to do that. That is why we have recruited over 100 good new senior leaders of IT.

Q212 Chair: Only in HMRC. You want to control it in-house. I completely understand your argument for doing that, but it is working at the moment. We may be spending too much and we may not have the control that we would ideally like, but it is working. We will come to the time frame in a minute. This massive change that you are imposing on HMRC, which does not have the world's best record of dealing with change in IT systems, is jolly risky. For all the appropriate theoretical reasons for going down this route, it seemed to us that insufficient consideration had been given to the risk, and nothing matters more than that we get the money in.

Liam Maxwell: I can clearly see your point. The issue is whether you are actually able to manage a series of contracts right or manage the business of tax collection. What we are trying to do is make sure that we can manage the business of tax collection by taking the control more in-house. That is why we have started to recruit, and we have recruited, as you will have seen with Mark Dearnley, a good leader in technology in the Revenue.

Q213 Chair: One person out of 1,500.

Liam Maxwell: No. There was a fair point. Mark is an important and key new leader, but we have strengthened the team. Part of what we have done within the Cabinet Office is to make sure that we have recruited and helped the recruitment of more than 100 people into Government in positions of senior IT responsibility.

Q214 Chair: In HMRC you have recruited three top leaders and—I cannot remember the figures.

Mrs McGuire: Was it 95 in total?

Chair: No, it was less. It was three top leaders and about 24 other people. It was not more than 20. Help me if I am wrong, but it was 24 down the system and three at the top. We are focusing on HMRC. The MOJ is starting a new contract. It is perfectly sensible for others to do so. Here you have something that may have been stupid 10 years ago, and it may cost us more, but it is working. You are not tackling that risk and what consideration you gave to the risk.

Liam Maxwell: The key consideration on risk—if you sat down and asked what risks we identify on Aspire as they move on to something else, as they will have to do in 2017—is people, and it is also the transition list. We have learnt a lot from the transition that we have had in the DVLA, and indeed the transition we are going through at the moment with HMRC over CHIEF, where we are taking in the ability to deliver that and in-sourcing that. We are learning from that, but we need to have strong technologists and strong commercial leads in place to help us do that.

Q215 Mrs McGuire: Forgive me for saying this, but surely DVLA is far simpler to manage than tax collection. The transactions are pretty straightforward. A person applies to get their vehicle excise licence, and the DVLA processes it and sends it back, as opposed to the processes that HMRC has to manage. I am going to put to you the comment of the Chairman of the Public Administration Committee, Bernard Jenkin, who said, “It would be a mistake to run before you can walk. Unless there are people in HMRC with the...skills in managing a number of smaller contracts then you will be jumping out of the frying pan into the fire.” Notwithstanding what the Chairman has said about the way in which excess profits were made, there is certainly an understanding that it did deliver. Surely it is an issue now of how you manage procurement, as opposed to whether or not you throw everything up in the air and hope it lands in some coherent 100-piece jigsaw.

Liam Maxwell: Can I just take you back there? You pivoted back to the question of procurement in that point. The contract around the DVLA has been, and it became, extraordinarily complex. That is why we use it as an example of how we have taken a very complex out-sourcing arrangement, where things are done by two or three large companies in the supply chain, back to a simpler, clearer and more effective way of buying the technology. That is exactly the same situation that we have with the Revenue, where we are trying to take a simpler and clearer approach to buying the technology that is designed and based around the user need.

Q216 Mrs McGuire: But the processes and the relationship between the customer and the DVLA are far simpler, surely, than the engagement between the customer and HMRC. Tax is not straightforward sometimes.

Liam Maxwell: Yes, that’s right.

Q217 Mrs McGuire: But getting your vehicle excise licences—

Liam Maxwell: I am sorry but I am struggling to understand your distinction between the business process and the complexity of the procurement arrangement, which is how your question began.

Mrs McGuire: It is about the risk of managing 100 or whatever number of smaller contracts to deal with the business. That is what you said; you are going to break down the contracts into smaller ones.

Q218 Mr Bacon: You prayed in aid DVLA as an example of why this could work. Mrs McGuire is making the point that DVLA does not have 10,000 or 15,000 pages of rules, whereas the tax system does; that is 10,000 or 15,000 opportunities at least for things to go wrong that do not exist in DVLA. That is the point.

Liam Maxwell: Yes, but in terms of the technology that we are talking about, there are two points: the contract and the commercials, and the transactions and business transactions. If we are going to try to simplify the tax arrangements that we have—I think your point is also that we have a large number of complications in the tax arrangement—

Chair: You are not changing the tax code. That is not your choice.

Q219 Mr Bacon: That would be good but it is completely separate from this discussion. The only reason I mentioned it is because you mentioned DVLA as an example of why it could be done, and Anne McGuire pointed out that DVLA is a much simpler business. You get your tax disc, your lorry disc or whatever it is and that is it—basta! With tax it is much more complicated.

Liam Maxwell: Yes, and there are many more specialists, and many more specialists in-house, involved in doing that. There is much more capability in-house in the Revenue to deliver the technology and the business roles as part of that transaction than there is in DVLA.

Q220 Chair: No, there is not; that is the whole point. That is their mistake. It was a mistake that all the intelligence was held in Aspire and there was insufficient intelligence at HMRC. We are at one there and you should build it up. Do you understand the enormity of the task that you are expecting HMRC to undertake by 2017?

Liam Maxwell: We are well aware of the task we expect HMRC to undertake. It is a large change.

Q221 Chair: Can we hold you accountable if it goes wrong?

Liam Maxwell: I am accountable for it.

Q222 Chair: If it goes wrong, you are accountable?

Liam Maxwell: Yes.

Q223 Mr Bacon: I am surprised that you say they have a lot more capability in-house. You, unfortunately, were not here on Monday, when we heard that, although they have been busy hiring since the publication of the NAO Report in July, at the moment, according to the Report, of the 1,490

or so people they have, 95 work on Aspire, of whom seven are top leaders and the others are others. That is compared with 4,000 people managing Aspire in Capgemini, Fujitsu and Accenture, so there is not a lot of in-house capability at the moment; that was one of the discussion points.

A moment ago you said, “We are learning that we need strong technology leaders.” I am not sure whether that is reassuring; I would have hoped that you knew that anyway. You use the word clarity—getting clear. The one thing that we were not getting on Monday was a sense of clarity. Mr Levitt at Capgemini was pleading for clarity. He said that he needs it and that he does not have it. HMRC was trying to articulate a new theology but, essentially, did not have a bible. They did not have what they needed to articulate that theology because it is being made up as you go along. I am caricaturing it but that was the sense that we got, I’m afraid.

Liam Maxwell: In terms of a manual or a bible, there is a very clear manual and a set of agreed ways of doing business, technology and digital in Government, which has been agreed by each technology leader appointed by an accounting officer across Government. That is clearly published on the web and is the foundation of all the work that we do in technology in Government and other Governments—

Q224 Mr Bacon: Let me distinguish—perhaps I should not use the word bible. It is one thing to put in guidance, “You shall get this done by next Tuesday,” but quite another to explain to people on the ground how they are to make that happen by next Tuesday. It is the latter where we do not feel that we have confidence. We did not get the sense that HMRC has confidence yet that it knows how to do it.

Liam Maxwell: We are confident in what we have seen in terms of their plans. We have not seen the whole business case yet—that will come before Christmas—but, from what we have seen so far, we are confident that they have taken the right scale of approach to this and that they have a good understanding of the risks that they will need to address during that process.

Q225 Chair: Let me take a specific. You signed a memorandum of understanding with them in January 2012, part of which was that you would renegotiate direct contracts with Fujitsu—

Liam Maxwell: Accenture and Capgemini.

Chair: Here we are two years on and we are no closer. Is that one of the reasons why you are feeling so confident that they will deliver?

Liam Maxwell: I have been informed that those will be done and in place by Christmas. I am not going to—

Q226 Chair: But does the fact that it has taken them two years to do that fill you with confidence that they will deliver on everything else? Just putting out the contract is the easy bit.

Liam Maxwell: I think that we have much more confidence in the commercial capability that we have in Government to help them and to help the Revenue. But we also have—

Q227 Chair: Are you confident even though it has taken them two years to get to this point?

Liam Maxwell: I do not think that that is a great example of working in a fast way. But we are more confident in what we have seen in the last year.

Q228 Mrs McGuire: Who is helping you assess whether the business plan should have your full confidence, given that we are now talking about hundreds of contracts, as opposed to one?

Liam Maxwell: I am not sure where you get the hundreds of contracts from.

Q229 Mrs McGuire: Okay, then. Many contracts; dozens of contracts.

Chair: It is hundreds of contracts, actually.

Liam Maxwell: There are hundreds of contracts in place at the moment, I think.

Mr Bacon: Most of them are managed by the primes, aren't they?

Mrs McGuire: We are now getting a picture of why it was important that Mr Maxwell was here on Monday, because we would have got a better interaction between what he is saying and what HMRC were identifying.

Q230 Mr Bacon: Frankly, saying as an answer that there are hundreds of contracts there now is not helpful, because we know that. We also understand—correct me if I am wrong, because I want to get this right—that there are hundreds of contracts there at the moment and that they are largely managed by the main supplier, Capgemini.

Liam Maxwell: Yes.

Q231 Mr Bacon: And its two prime subcontractors, Fujitsu and Accenture—it is mostly Fujitsu with a little bit of Accenture. And then 348 others are on call-off contracts for any number of different things. If you need a little bit of code to do x and a supplier is good at that, they are hired in. The management of all that is done within that universe of 4,000 people outwith HMRC; it is not done inside HMRC. Yet, in this brand-new world it will largely be done in HMRC. We do not see how yet, and no one has explained that to us.

Liam Maxwell: And the business case that we are looking for—

Mr Bacon: That you do not yet have.

Liam Maxwell: That I do not have—one of the options to provide that is to in-source that

Q232 Mr Bacon: Given that this all must happen by July 2017 but you do not yet have a business case and that we are talking about £500,000 million of revenue each year—£5 trillion over 10 years—at stake, can you see why we are a little nervous?

Liam Maxwell: I can see that you are nervous because of the length of time it has taken people to drive contracts through and go through procurement in the past. That took a very long time, but as a Government we have halved that length of time in the last four years.

Chair: We are talking just about HMRC in this hearing.

Q233 Mr Bacon: Yes, we are only interested in HMRC in this hearing. Can you think of any other examples of Government projects where there has been a timetable that seemed unrealistic to those involved and that, as a result of that, the project was hurried and things went wrong?

Liam Maxwell: Of where it has gone wrong?

Q234 Mr Bacon: Because there has been a hurried timetable, yes.

Liam Maxwell: I think some of the areas in health were probably an example of that in the past.

Q235 Mr Bacon: You mean the national IT framework in the health service?

Liam Maxwell: Yes.

Q236 Mr Bacon: Any others?

Liam Maxwell: I think the use of Firecrest was one that came up. We have had several examples of cases where, as we go through the controls process, people have come to us and said, “We need to redo this”, such as choose and book getting retendered and re-engineered—

Q237 Mr Bacon: The Criminal Records Bureau, the Rural Payments Agency, tax credits—this is a very common thing. What we do not understand is why this will be different when the timetable is so pressured. What is your contingency plan?

Liam Maxwell: Our contingency plan, in terms of what would happen to HMRC—if HMRC came back to us and said, “Actually, we’ve had a go and tried to get to this stage but our only option is that we will extend,” and if there is a reasonable and strong case to do so, we would extend.

Q238 Chair: How will you judge whether they are ready?

Liam Maxwell: We have a very engaged team working with the Revenue team to understand what they are doing.

Q239 Chair: How big is your team working on this?

Liam Maxwell: I am not certain of the exact numbers working specifically on this in the commercial team; you would need to ask Mr Crothers about that. In terms of our team, it is 10 or 15 people who spend their lives going through what they are doing.

Q240 Mr Bacon: By when would you know if you had to extend?

Liam Maxwell: If the business case appeared in December and it was an unconvincing piece of work, we would have an idea then. But the practicalities of this coming together—we should have a conversation around March.

Sir Amyas Morse: This question is on the same point of the critical path and timing. If you said to the team, “You have another year to implement this project,” do you imagine that they would be happy or unhappy? You know the answer to that; just cough it out.

Liam Maxwell: Actually, in terms of what we would learn right now, I am not certain whether they would be happy or unhappy. One of Mark’s team is behind me now. Would it make life easier? It would make life easier to do that. Would it be a good use of public money? That is a choice we would take after we had analysed what happened with our testing of the sourcing, which is chief.

Sir Amyas Morse: That is fine. I am not saying that you should make this judgment beforehand. We had some very categorical assurances on Monday that there would be no extension. Can we try to build a bit of flexibility into the attitude, if you can manage that? I would love to encourage that.

Liam Maxwell: I think that the reason you asked me here was to talk about the red lines. We have four red lines: nothing over £100 million, no extensions, no hosting and no marking of your own homework. All those are based on the fact that we do provide exceptions to people. If I take one of the examples you asked about earlier—NHS Choices. We looked at them and said, “You’re not ready to do this. Have an extension. Take a longer period of time to go through it.” There is confusion that the red lines would be the dogmatic implementation of a diktat, but that is not the way we designed it, nor is it the way that we have implemented it. When we have talked to Departments and business cases and it is sensible for us to say, “Wait a bit and we will help you implement it in a clearer, more effective way,” we have always done that. We are pragmatists at heart.

Q241 Mr Bacon: I was going to say that that approach is tremendously welcome but I am not quite so sure about the, “We have always done that,” bit. The history of this is lots and lots of red ratings and people driving straight through gateways. I am with you on slowing down if necessary, but there have been many projects over the years where there is lots of red all over the chart, and yet they plough ahead with a ludicrous timetable and—guess what?—it crashes and hits the buffers. The Rural Payments Agency is a good example.

Liam Maxwell: I am well aware of one at the moment.

Q242 Chair: Universal credit?

Liam Maxwell: Yes. Our job here is to help the Departments get the technology they need to deliver good public services.

Q243 Chair: You have said to us—it was very helpful—that you will feel accountable to us if things go right and we can praise you, and also if things go wrong. But will you stop something if you think that they have an unrealistic timetable, that they do not have the right people in place to drive through the procurement or the design and that there is a real risk that revenues will not come in?

Liam Maxwell: I can formally make a recommendation that it does not proceed; I cannot formally stop it. That is a Treasury thing. We make a recommendation. We have, in the past, made recommendations that things do not happen. For one of the projects you mentioned just now, our recommendation was, “Stop that.”

Q244 Mrs McGuire: Does that mean that in this case it is your assessment that this procurement process of no IT contract over £100 million in value will not work for HMRC, and that the Cabinet Office would be prepared to step over its own red line?

Liam Maxwell: Absolutely. Let me give you an example. The emergency services’ mobile communications programme, which is currently a 2G contract run by a company called Airwave, costs about £450 million to provide a 2G radio service to the police, something that you could do right now for about £70 million a year if you started off on your own. We are replacing that with something called the emergency services’ mobile communications programme, which we split up into four lots. Lot 3 of that programme is about the delivery of telecommunication services into the police, and it will be bought in a series of components, but those components will add up to more than £100 million.

We need to do it in that way because that will go to one supplier in that point for the first four years of that contract, because there are no open standards available in the marketplace at the moment for voiceover long-term evolution, and consequently we need to put that in a position where we can have an award that pragmatically addresses our desire to move away from a ruinous contract on old technology to a new contract that allows the police and emergency services to exchange data and voice. It will cost more than £100 million and there is a good reason for doing it, therefore we do it. But the presumption about all Government IT contracts, which is where this came from, that any Government IT contract would start off and go, “Yeah, it will be about £100 million and we just need that”, or we could quite happily drive over £100 million, is what this policy is designed to stop.

The problem that we have, and the inheritance we have had of 25 years of outsourcing IT, is that people felt it was acceptable to go and buy IT at very high cost and at very high margin without any reference, peer review, understanding or spending control. This is part of that spending control process and it is part of the reasons why we have saved more than £14 billion over the last year, based on 2010 baselines.

Q245 Mrs McGuire: I don’t think anybody in this Committee would disagree with your last comments. What I am trying to tease out is whether or not your red line on the £100 million is a pragmatic red line, and I think you have indicated that it probably is a pragmatic red line—

Liam Maxwell: I don't think you will find anyone who says I'm not a pragmatist. A pragmatic red line is exactly what it is for—

Mrs McGuire: I'm not worried about you personally; I'm worried about the policy.

Q246 Mr Bacon: When you were talking about the "ruinous contract" a minute ago, were you referring to Airwave?

Liam Maxwell: Yes.

Q247 Mr Bacon: Because we looked at Airwave on this Committee, about 10 or 12 years ago, and they did not say it was "ruinous" then when they were sitting where you are sitting now.

Liam Maxwell: Right. People have changed. And you will notice that the entire technological leadership of Government has changed to accommodate that.

Mr Bacon: Yes. And we are great fans on this Committee of the process—

Q248 Chair: I am going to ask you two very quick questions. One is that you said that it could be in by March, and that by then you would judge if there is a non-viable business case. Clearly, in March you are into the election. Therefore, it would be true to say that if in March you think there is not a viable business case, there is no way that they would deliver by 2017, is there, given that the general election will inevitably interfere with that?

Liam Maxwell: I would hope we get an indication of whether this is a viable case or not by the end of this year, to be honest with you, and to be open in terms of what we have seen. From what we have seen so far, we are hopeful that it will be a viable business case.

Q249 Chair: You are obviously hopeful; we are a bit more sceptical. If it isn't?

Liam Maxwell: I am sorry, but just to hold you on that: I am not "obviously hopeful" and I am not an "obviously hopeful" person. What I am trying to explain to you is that in the landscape of disastrous attempts at delivering IT that you see and that we have been fixing, this is one of the reasons for hope. That is why I am hopeful for it.

Chair: "Things can only get better"—I remember that. *[Laughter.]*

Mr Bacon: Careful—we're going to ask you to sing it.

Q250 Chair: I have a final question. One of our concerns yesterday was that Capgemini has all the experience and skills that will be needed in the new world that you are trying to create. How on earth will you try to ensure that those people don't go off and work in other areas, and that they are kept focused on delivering tax revenue for us?

Liam Maxwell: One of the issues that we consistently are asked is, “How do you attract and retain great people to come and work in this area?” We have been successful in attracting and retaining great people to come and work in the area I work in, which is the Government Digital Service within the Cabinet Office. We have attracted and retained a large number of extremely good people—probably the best talent in London and the south-east of the country—to come and work with the Government Digital Service. It is more a question of the best way of doing that. It is about making people an offer that is acceptable and that enthuses them.

In terms of IT, the ability to work in Government used to be—I’m sorry, I remember when I first joined that there was a capability strategy, the whole point of which was that people would join and spend 40 years in the civil service, one of them would become CIO and everyone else would be disappointed. We tried to put in place a hiring, recruitment and retention strategy that gave people the ability to come in to work with Government, not necessarily on a short-term, but on a medium-term engagement that allows them to do something meaningful and effective. The opportunities of delivering great change to an organisation are legion across the work that we do. We have been able to attract people into that. That is one of the reasons why we are also able to attract leaders from Credit Suisse, Vodafone and Morgan Stanley. As you can see, some of the senior hires we are now attracting are of that calibre. We are going to apply the same approach as that to the approach of holding on to people that we want from—

Q251 Chair: We did this in detail, but there are more than 1,500 people working on IT in HMRC; as Richard Bacon said, 95 are working on the Aspire contract. When we asked a specific question, we were told there were two new people on the leadership team, a third one coming and, from memory, about 20. The memorandum was signed on 1 January 2012. We are now almost at the end of 2014 and you want an invitation on 2017. That is our scepticism. I know the intent may be there, but we are interested in the delivery.

Liam Maxwell: Our approach is focused on the delivery. We realise that we have to get our skates on.

Chair: Thank you for coming. The Committee will clearly consider that when we consider our Report. There is a bit of variance between the evidence we got today and on Monday. It would be really helpful if you came back to us in February with a little note, so that in one of those session in March that we talked about—recall-type sessions—we can perhaps return to this for an hour, if that is possible. Thank you very much indeed.