House of Commons

Public Accounts Committee

Oral evidence: Managing and Replacing the Aspire Contract, HC 79

Monday 13 Jun 2016

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Members present: Meg Hillier (Chair); Mr Richard Bacon; Deidre Brock; Chris Evans; Caroline Flint; Kevin Foster; David Mowat; Stephen Phillips.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Rob Prideaux, Director, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-67

Witnesses

I: Jon Thompson, Chief Executive and First Permanent Secretary, HMRC, Edward Troup, Executive Chair and First Permanent Secretary, HMRC, Mark Dearnley, Chief Digital and Information Officer, HMRC, and Liam Maxwell, Chief Technology Officer, Cabinet Office.

Report by the Comptroller and Auditor General

Replacing the Aspire contract

Examination of witnesses

Witnesses: Jon Thompson, Edward Troup, Mark Dearnley and Liam Maxwell.

Chair: For our second panel this afternoon, we are looking at an NAO update on managing and replacing the Aspire contract; it is a progress review of that IT contract, which is the largest public sector contract in the UK and one of the largest in Europe. I am sure that one of you can enlighten us as to where it comes in the pecking order, but it is certainly a very big and important part of transforming customer service, and it has been delayed.

I will reintroduce some of our witnesses who may be tuning in especially for the Aspire contract discussion. Our witnesses are Mr Liam Maxwell, who is currently national technology adviser for the Cabinet Office but was formally the chief technology officer for the Cabinet Office; we have Jon Thompson, the chief executive and accounting officer at HMRC, and Edward Troup, the executive chair and permanent secretary of HMRC, from our previous panel; and we have Mark Dearnley, who is the chief digital and information officer at HMRC.

I will hand straight over to Richard Bacon to kick off.

Q1 **Mr Bacon:** May I start with Mr Dearnley? The Report says that "HMRC's commercial strategy is to work with more IT suppliers, including small and medium-sized enterprises. It will let shorter, more flexible, contracts and avoid extending contracts". Indeed, paragraph 1.6 goes on to say that that "is consistent with Cabinet Office policy, which strongly advocates that departments should move away from large, long-term contracts with prime suppliers."

I will start by being devil's advocate slightly. Given that there is a very large, very long-term need here, namely to get in the money from the taxpayers, and that is going to be the same each year—it is not really going to change and it is not that dynamic; yes, there will be changes in tax policy but broadly the same very large, long-term need is there—why do this?

Mark Dearnley: It is a question of how we do that in the most efficient way, while ensuring that we do not risk the bringing-in of that tax. There are many ways we could approach this. Ten or 12 years ago, when the original Aspire contract was done, doing a large, monolithic deal was the way things tended to be done because the pace of change was lower. As we have learned through what has happened there over this period and as the industry and the skills have evolved, as well as the hour-by-hour importance of IT in our ability to collect tax, we think there is a different model going forward that does not break it up into huge numbers of different pieces but breaks it up into chunks that can then be managed individually and optimised as we go forward.

Q2 **Mr Bacon:** Paragraph 1.4 of the Report says that the old Aspire contract "contributed to HMRC's technology becoming out of date." Having conferred with the NAO, I take that to mean the technology operated on HMRC's behalf by the contractor. That is right, isn't it?

Mark Dearnley: Some of the technology we use is definitely past its "best before" date, and that is one of the things we are doing now—

Q3 **Mr Bacon:** Just to be clear, the reason I was struck by that is that 25 years ago, when I was a journalist, I used to write stories about outsourcing and one of the many key arguments for outsourcing was that the cost of the capital for the investment could be spread over more clients and therefore the IT would be more up to date, not more out of date. This Report is saying the opposite; it is saying that the contract "contributed to HMRC's technology becoming out of date." Why?

Mark Dearnley: One of the things—I think we discussed this last time—is that because of the nature of what we do, traditionally the estate for HMRC has been bespoke just to HMRC—

Mr Bacon: You mean the IT estate?

Mark Dearnley: Yes. It has been dedicated to HMRC and we built it in a number of data centres in a number of silos, and continued on technology that has evolved over many, many years.

One thing that we are moving towards, and have made considerable progress on actually, is moving away from dedicated servers running very low utilisation at periods outside our peaks. I will talk about virtualisation: when you virtualise something, it allows you to exploit shared infrastructure. We have gone from where we were last time we met, about 17%, to about 65% now, with a view to getting to 85% and then 95% over the next two years. That starts to future-proof us.

Q4 **Mr Bacon:** Percentage of what? Percentage of utilisation of hardware?

Mark Dearnley: Percentage of the 4,000 servers we have today. Our utilisation last time we were here was about 7%, and it has now gone up to 20%. We are starting that journey of modernising and commoditising some of what we use, and really starting to exploit—

Q5 **David Mowat:** I did not understand your answer to that question. Are you saying you now have fewer servers?

Mark Dearnley: We actually have a similar number of servers, but instead of them all being stand-alone individual ones for us, they are now in a shared estate. Some of that shared estate is ours, and some of it is starting to use some of the cloud environments that are available to us, so we are getting much more efficient. If you take a typical server, they ran at about £30,000 a server per year. We have now moved to somewhere between £6,000 where we are doing it ourselves, and then £4,000 if we move more into the commodified—

Q6 **Mr Bacon:** So you're saying it is becoming less of a bespoke IT estate.

Mark Dearnley: Exactly. A lot cheaper and a lot faster.

Q7 **Mr Bacon:** But that is precisely the argument for outsourcing.

Mark Dearnley: Different waves of technology move in different ways. Maybe we are making some similar arguments to 20 years ago. I think these industries do reinvent themselves.

Q8 **Mr Bacon:** Last time we looked at this, in October 2014, the Comptroller and Auditor General asked whether getting rid of one big contractor could actually diminish the quality of the commercial relationship in such a way that in future times of budgetary constraint—he pointed out that that pressure probably was not going to go away—there might be relationships with a large number of smaller contractors who would not be able to take the long-term view in the way that a large contractor can when you are negotiating about budget because you are under pressure. Will you have the capacity on the contractor's part to take a bit of a hit due to budgetary pressure, or are you losing that?

Mark Dearnley: When we say "a larger number", we are still talking about 10, not hundreds, in terms of the large pieces of work. What we are finding is that it is forcing us to have much cleaner commercial conversations rather than getting into some of the traditional arrangements.

If I can go away from Aspire and talk about typical outsourcing industry of the last 10 years, most contracts lost money for the supplier in their first few years, and the supplier relied on making money in the later years of the contract. What that tended to mean was that as time moved on and you wanted to change the contract, the supplier was not particularly incentivised to change it, because they wanted to make their money at the end. What we are focusing on is making sure the deals are clean, simple and really easy to understand and don't mortgage the future, and that we can change them as our environment evolves and the world changes.

Q9 **Mr Bacon:** Okay, so we are going down this flexible path; I just wanted to test that at the beginning. It still leaves a question in my mind to which I do not understand the answer. On page 15 of the Report, there is a reference in the chart to paragraph 2.13, which talks about HMRC deciding how its model should evolve. The little box on page 15 says that by 2018, in two years' time, "HMRC will have developed sufficient insight into its own needs".

I said to Lin Homer, the former chief executive of HMRC, on 27 October 2014, nearly 20 months ago, "It doesn't look to me as if you've got the bricks in place yet." She said, "We're not quite at the point where we can show you all the bricks." Now, nearly 20 months later, we are saying that in two years' time, HMRC will have developed sufficient insight into its needs. We are not talking about the method—the instrumental question of how you do it, because there are various answers to that: insourcing more, insourcing all of it, outsourcing all of it and so on. We are talking about HMRC's insight into its needs. It is amazing, really. Why don't you yet have a sufficient insight into HMRC's needs?

Mark Dearnley: I think we actually have a really good insight into HMRC's needs, which is the plan we are going through at the moment—to break up the Aspire contract and get in a place where we deliver the transformation needed for our spending review. What we have said is that when we have finished doing all that work, we need to look again at what the model is for the next three or five years. I expect this to happen on an iterative basis and that is what we have told our staff. There is no final end state here. There is learning all along the way and each time we go through a wave of change, we will look at what we have learned and we will look at what the organisation we want is at that point in time, including exactly where we want to be on customer service. We will see where we have got with the telephony and the digital. From that insight, we will work out the next generation of the model and continue to iterate from thereon in.

Q10 **Mr Bacon:** If I can use a housebuilding analogy and take Lin Homer's example of bricks, it sounds to me a little bit like you are obsessing about the bricks when actually we know what we want: we want to get the tax collected in and have a tiny tax gap, and to make sure that there is excellent customer service. You could say what the needs are relatively quickly, couldn't you?

Mark Dearnley: I would say that we know those needs and that what we are doing is looking at whether we have the right type of bricks and the right organisation of those bricks as we go through each phase of our transformation.

Q11 **Mr Bacon:** Why is it taking so long? You were saying that nearly two years ago.

Mark Dearnley: This is the next wave of that. We are now executing the organisation of the bricks that we have decided will get us from the Aspire contract through the next few years and into the transformation that we are running. When we have done that, we will need to look again at those bricks and decide which are the best ones, which have worked and what organisation we need going forward.

Q12 **Mr Bacon:** Can I draw your attention to the concluding sentence of paragraph 2.13, which talks about the future? It says, "HMRC expects to be better placed to reach decisions in 2017-18 as it should have better information on these factors," which are the ones listed above, "and also a better understanding of its existing IT." In other words, you don't yet have an adequate understanding of your existing IT. Is that right?

Mark Dearnley: As we go through this process—

Mr Bacon: Is that right?

Mark Dearnley: We will learn things as we go through.

Mr Bacon: Is that right?

Mark Dearnley: We will learn a lot as we break up the Aspire contract. Yes, there is a lot that we will learn through that process.

Mr Bacon: About your existing IT?

Mark Dearnley: Absolutely.

Q13 **Mr Bacon:** So you didn't only outsource it; you outsourced the knowledge about it?

Mark Dearnley: It is inevitable in any large black-box outsourcing deal that when you get right into it, there are details that you don't know are going on. So yes, that is what we are learning.

Q14 **Mr Bacon:** Okay. You have this new company, RCDTS—Revenue and Customs Digital Technology Services. It is referred to in paragraph 2.10. What is the purpose of creating a new company like this, rather than just insourcing people into HMRC?

Mark Dearnley: The purpose was to be able to put together a better employment offer for the staff coming in from the private sector. We looked at what we knew about them and their remuneration structures within the private sector and looked at where we were in the civil service. We decided that the balance of that—between base pay, pension and those sort of things—was better suited if we went for a separate GovCo type organisation.

Q15 **Mr Bacon:** The PCS union sent the Committee a note that talks about this company. It says: "Although RCDTS management claim to have control over salaries, they are also bound by government pay restrictions, unlike the private sector. Given the context of a 1% public sector pay cap, it is unlikely that RCDTS will be able to fix the glaring pay anomalies they have inherited in the transfer from the private sector, let alone satisfy technical staff's long-term salary ambitions". Is it correct that RCDTS will be limited by the 1% public sector pay cap, or is the whole point that they won't be?

Mark Dearnley: It is limited by the pay cap but it does have a different salary scale and remuneration structure. In that, we have been able to put together what we believe is a much more appropriate offer for people coming in from the private sector.

Q16 **Mr Bacon:** So they are limited by the 1% rise, but it depends where they start.

Mark Dearnley: Exactly—it is within a different pay structure.

Q17 **Mr Bacon:** The last part of the sentence that I quoted, which I did not read out before, says, "as IT salaries in the private sector are beginning to grow". If that is the case, to remain competitive you might quickly find yourself in a position where, even if the starting salary was okay, it soon won't be.

Mark Dearnley: We have tried to set the salary range taking that into account and I am sure this will be an ongoing topic of conversation with the Treasury over the next few years.

Q18 **Chair:** Have you had any staff who currently work within HMRC's envelope refuse to move over to RCDTS?

Mark Dearnley: Current HMRC civil service employees?

Chair: Yes.

Mark Dearnley: They would not move over—they do not need to move over. It is one organisation with two employing entities. There are jobs there that they are welcome to apply for if they choose to. They are on a different structure. We are certainly not asking them—

Q19 **Mr Bacon:** We are talking about TUPEing people from the Aspire contract into RCDTS. The PCS note—I am sorry about all these acronyms; that is the Public and Commercial Services union—says, "Given the difficulties in matching terms and conditions during the transfer process, it is unsurprising that 16% of those initially earmarked for transfer, including many managers, removed themselves from scope in the last 12 weeks". Do you know how many people that was in total?

Mark Dearnley: It was a higher figure than 16%. People can choose; the whole TUPE process gives people the choice of what they want to do. When you go into it from both sides, both sides expect that not everybody wants to move across. We ended up with about 27%—about 30 or 40 people—who chose not to come across.

Q20 **Mr Bacon:** They made the case that more of their work was non-Aspire than Aspire?

Mark Dearnley: No—this was not to do with that. This was them making a personal choice that they wanted a career somewhere else, or they found a different job with their current employer, or it was their moment to retire or go off to do something different. That level of attrition that we saw was lower than we had expected but in line with the industry standard.

Q21 **Mr Bacon:** When the PCS goes on to say, "It is not known how many attempted to get out of scope but were rebuffed", is that technically correct, or is it technically not possible to be rebuffed?

Mark Dearnley: At any point in any transition, the whole point of consultation is that there is a discussion. There are always debates, all the way through, about how many of the initial in-scope there should have been, and those kind of things. I do not remember the number from the first wave, but we are going through exactly the same sorts of conversations now, as we go through the second wave of transitions. It is typically not related to individuals wanting to use it as a way to run away; it is more related to whether both parties fully understood the scope of the work that was considered for transition.

Q22 **Mr Bacon:** Can you say how the current approach that you have adopted addresses the various risks that we identified in the last hearing? Service continuity was a particular concern, but also tax collection and customer service.

Mark Dearnley: Those two are intrinsically linked. One of the things we did, having listened to you and to many other stakeholders as we went through the approval process, was to say, "How do we ensure that we put that as the criteria at the top of the selection?" If you look at all the options we reviewed, the top criteria were about service continuity, which is about how we bring the taxation, and the ability to keep bringing everything in. That led us to the phased approach; actually it also led us to slowing down on some of our early plans for how fast we were going to do the phased approach.

There are three iterations. We did the first wave, where we learned a lot; we are doing another wave, and there is more to come just before we end the contract. Taking a proportion of the tax revenue—particularly the area that is going to have the most transformation during the spending review, because of the way we want to consolidate tax regimes on to single platforms to improve the customer service—is the reason that we have extended those particular pieces.

We have also focused much more on our in-house capability in the digital area: we have probably grown that another 50% since the last time we saw you. That has allowed us to launch the personal tax account, which we have talked about a bit today—over 2 million have used that now—and a business tax account for every single business in the UK.

I was also interested in the final conversation that you had in the previous session about the software industry. Linking to the software industry through what we have called our API platforms—our application programming interfaces, the bit that joins it together—we have done an enormous amount of consultation with the software industry. We have actually just launched the first beta of that, so that the 650 to 700 software companies out there can integrate with us more quickly and easily. I need to encourage them to move more quickly than 12 to 18 months, to put new software in, because we are now moving faster than that. Knowing what we want to extend because we want to transform it, getting control of the service that we want and focusing on digital and taking control have been key.

Q23 **Mr Bacon:** One of the fears—we saw this with the Rural Payments Agency—is that not having a systems integrator or a big company controlling it can cause huge problems. How will you ensure that services from different suppliers will be integrated successfully? It is one thing to talk some dream of 700 suppliers emailing in their new apps, but in the real world we must have systems that are very robust in this space, mustn't we?

Mark Dearnley: Absolutely. We have done a couple of things. One is to architect the organisation around the way we want to run the different delivery groups of systems. Since we last met you, we have done a complete operating model of how digital and technology will work within HMRC. We have reorganised around that. HMRC taking that organisational role is core to that. We are the layer that joins things together. We have already hired the people—1,600 or 1,700 of them—within the organisation with a lot of experience over 20-plus years. We have strengthened the leadership and of my cadre of 80 senior managers—we said last time we would bring in 20 new ones—we have taken on 18 and they have a strong background. We are increasingly taking more and more of the integration—

Q24 **Mr Bacon:** You are also taking more and more of the risk, aren't you?

Mark Dearnley: Yes and no. The risk was always ours. We had some of it backed off in contract. You can debate just how valuable contract backing-off is, relative to £500 billion. We will never back all of that off. We are much closer and much more on top of the service, the delivery, the projects and the ownership.

Q25 **Mr Bacon:** It sounds good, but the Report says that you still have a skills gap. You did an audit and there was a 25% skills gap.

Mark Dearnley: Against an industry average of 29% on the same thing.

Q26 **David Mowat:** I was going to ask about figure 3, which talks about the SAP tax management system. Is the application processing core of what you are doing an SAP system?

Mark Dearnley: Most of the financials of HMRC are managed at a ledger level through SAP and, yes, we do use SAP for some of our business tax regimes. Every business in the UK has a record on SAP.

Q27 **David Mowat:** Do you use it now? Is there an existing SAP application?

Mark Dearnley: We have used it for many years.

Q28 **Mr Bacon:** Mr Maxwell, the Department went down this path partly at the urging of Cabinet Office policy, but now and most recently it seems to have backed off from its own approach to some extent and allowed more time and more contract extensions. What persuaded you to back away from what was essentially your own policy?

Liam Maxwell: I was very clear when I came to speak to you in 2014 that we would take a pragmatic approach to the renegotiation of these contracts and what was going on with Aspire. You are seeing the demonstration of that approach as we come into this. We were very clear that we wanted to make sure that Mark had the support and the ability to bring people in to help the transition work effectively. You are seeing the demonstration of that.

Q29 **Mr Bacon:** Mr Dearnley, the planned budget you are spending includes some optimism bias. How much have you actually spent so far?

Mark Dearnley: I can come back with an absolute number if you want one.

Chair: Yes.

Q30 **Mr Bacon:** That relates to the next question: how much financial benefit have you secured so far?

Mark Dearnley: That one is much easier. I think the answer to the first question is about £75 million, but I will double-check that. On the financial benefit. We have contractualised 83% of the total benefit.

Mr Bacon: 83%.

Mark Dearnley: 83% and we have delivered £320 million, which is 30% of that benefit.

Q31 **Mr Bacon:** Can you talk about how this series of changes will impact on the people working to deliver IT services for HMRC?

Mark Dearnley: I said earlier that we have been defining a new operating model for my organisation and that has laid out how we will work in the way we design things, the way we deliver things and the way we run things, and then how we govern across all of that. That has now been turned into detail to about three or four levels down. We have reset the organisation to fit within that and we are out at the moment doing what we call "Building our Future" for digital and information officers—my team—of taking all our staff through that, discussing it, helping them to understand it and getting their feedback on it.

The next wave of that, which we have just started with some listening groups of front-line staff and my senior leadership team, is the whole cultural and behavioural piece. What we are essentially doing here is knitting together four or five different organisational cultures and saying that we want to create a new one, which is the way we will work over the next five to 10 years.

That piece of work, which is led by my HR team, is starting to make us think about how we want to react when there is a problem, how we want to do design, how we want to work together, and how, when we have a multi-supplier environment, we will behave with those suppliers.

Q32 **Mr Bacon:** When you say a new culture, do you mean inside the new RCDTS?

Mark Dearnley: My organisation has both civil service and RCDTS. It is inside all of that working as one.

Q33 **Mr Bacon:** The first thing that occurred to me about the creation of this new company is that you are still going to have civil service and HMRC internal, in-house IT people and the Revenue & Customs Digital Technology Services.

Mark Dearnley: Yes, that's brilliant.

Q34 **Mr Bacon:** Haven't you got a culture clash between those two?

Mark Dearnley: No, it's been great, so none at all so far. What we are doing with both of them is saying, "Well, if you were this and you were that, what do we want to be in future?" and getting everybody on board with that.

Q35 **Mr Bacon:** Do you think that eventually they will merge into one?

Mark Dearnley: I think, culturally, that is our intent.

Q36 **Mr Bacon:** I don't mean only culturally. If it is all so great, why would you have two?

Mark Dearnley: Because different employment propositions work for different people and we are coming from different histories. It is a bit like when two large multinationals merge; you cannot suddenly bring them altogether and get everything fully aligned. This is a way of achieving that.

Q37 **Mr Bacon:** Mr Maxwell, one of the issues facing the Department in its negotiations with Capgemini was the initial pressure from the Cabinet Office not to extend contracts because that was the policy. Why didn't you share with HMRC the fact that DWP was extending a contract for its IT services?

Liam Maxwell: I do not think we did not share it with the Revenue. The controls process that we ran does about 30 controls each month. One that came through at that time was the SSBA extension for the Department for Work and Pensions, which is a similar approach—we have got people organised to disaggregate and they are going through the disaggregation process at this point. At that time, we felt that they had a need, rather like I expressed in my evidence to you last time. Pragmatically, we felt we should allow them to extend what they had at that moment so that they could move into a process of disaggregation, in a very similar process to what Mark was doing slightly further down the track.

The interpretation in the Report is that Capgemini assumed that we had changed our approach, but I don't think I could have been clearer about the pragmatism of our approach when I gave evidence to this Committee. Going back to look at the red lines themselves, as we expressed them—we expressed them multiple times—we said that we would not have automatic extensions unless there is an exceptional need. In the circumstances of the DWP, that was one of those examples.

Q38 **Mr Bacon:** Mr Dearnley, did you think you had timely information about what was going on elsewhere in the Government, such as in DWP?

Mark Dearnley: On that particular occasion, we did not know about it. Actually, I don't think it changed the outcome, because we would have ended up in the same place we are today. We decided at that point that, if we had got the deal we had on the table at the point we are discussing, and if I was presenting it to you today, we would have had everything done by June. I believe that, against the criteria that you gave us, you would be saying that we would be taking too much operational risk.

Liam Maxwell: The presentation of what happens in controls is something that we have shared across Government. We do not give an overall view or a running commentary on what is going on—we share the sight, and if it has not come to somebody's attention at that time, it is not that we have pushed them out. At that stage, we were doing about one control across Government a day, so there were a lot of those going through at the time.

I also think that it shows the commercial approach from a supplier. They say, "We think you've changed your approach so we are going to go into our negotiation with that as our argument." Of course they are going to do that.

Q39 **Mr Bacon:** You have got this crunch point coming in a couple of years' time when, according to the Report, you will have greater insight into your needs and, to use the words from paragraph 2.13, you will have decided how your operating commercial model should evolve.

Mark Dearnley: We come to a point where the original OJEU (Official Journal of the European Union) runs out. I suspect in theory we could go a little bit longer, but I don't see that as a real option by that point. We will be in a very different place.

Q40 **Mr Bacon:** What are the odds that you might end up doing that?

Mark Dearnley: I would say low.

Q41 **Mr Bacon:** Would you turn to page 15 of the Report where there is a time flow chart? In the top left box on the right hand side it talks about managing the exit of the Aspire contract, improving HMRC's control, providing continuity and so on. Your most recent proposal to Government on the speed at which you should deliver this was—how should I put it?—turned down? Tweaked? Adjusted by Ministers? That is right, isn't it?

Mark Dearnley: We have three iterations of the business case. I think it says in here "three business cases". It is one business case iterated three times. In an earlier slide it shows just how many project reviews and major programme review groups we've had and just how much insight we've had. There's been a debate all the way through. We have discussed, put options on the table, listened, debated and gone around and around. There has been input from many sources.

Q42 **Mr Bacon:** On some of the internal testing critique—asking the question—presumably you're not going to do anything that's going to put £500 billion of revenue at risk?

Mark Dearnley: That was top criteria: make sure the money comes in.

Q43 **Mr Bacon:** I am glad to hear that. Just below that it says "March 2016… Detailed contract terms remain to be finalised later in 2016." That is about bringing services in-house. When is that going to be finalised?

Mark Dearnley: They are almost all done. I am just trying to think if we have actually signed the detailed bits yet. It is very close with those services. The absolute signature will be on the day before transition.

Q44 **Mr Bacon:** How many people are coming across with that?

Mark Dearnley: At the moment, and going back to your earlier thing, there are 380 staff in-scope as we sit here today.

Q45 **Mr Bacon:** Where is your aspiration to be when you finish that process, in terms of the total number that will have come across?

Mark Dearnley: Of that 380 I would expect us to have a slightly higher attrition rate than we had last time.

Q46 **Mr Bacon:** No, you misunderstand my question. Are there not others apart from the 380 that will come across as well?

Mark Dearnley: There are other parts between now and the end of the contract, yes. As we get to June '17 there will be some smaller bits.

Q47 **Mr Bacon:** How many in total?

Mark Dearnley: I couldn't tell you the number now, and I don't think it would be appropriate because it would affect some individuals.

Q48 **Mr Bacon:** But presumably it is considerably more than 380.

Mark Dearnley: It is more, but it would be wrong of me to answer that because we haven't discussed it with those people yet.

Q49 **Chair:** So some of the people you are talking about don't yet know that they could be transferred over?

Mark Dearnley: Correct.

Q50 **Mr Bacon:** Do you think you will be in a position to announce your thinking significantly prior to 2018?

Mark Dearnley: I would have thought it would be too early to announce it prior to 2018, because I think it is really important that we learn from this and see how far we have got through the spending review. I don't see any real advantage in going earlier, because we will then be looking at a bunch of contracts that have either just been renewed, just been brought in or have a fixed term until the end of 2020. I don't think having an answer way too early would be in anybody's interest.

Q51 **David Mowat:** Two areas: first, you have brought in Bain—I think the Report says up to £20 million over three years. What are they doing?

Mark Dearnley: Bain are helping us a lot with our operating model piece, bringing experience from other industries and different ways of working on that. They have also been helping us think about how we manage the system integration piece from a software tooling perspective. I would say that, just because when we go out to market for one of those types of contract it says you've got a range from here to here, it doesn't mean we get out of bed to spend all of that. They have been here for 10 months and so far this financial year we have spent under £2 million with them.

Q52 **David Mowat:** And they work for you, do they?

Mark Dearnley: They work for me, yes.

Q53 **David Mowat:** In figure 7, which is the business case review that you have done since we last met, in a way what has happened is that you previously had this Aspire drop-dead date of 2017 and now you have gone to an approach that allows you to continue contracting with components of it beyond that. Presumably you are negotiating that with Capgemini on an as-needs basis.

Mark Dearnley: We finished those negotiations with Capgemini.

Q54 **David Mowat:** All right. So you have done all those. When do they now run out?

Mark Dearnley: They now run out in 2020.

Q55 **David Mowat:** Just for clarity, would you expect any of them to be reviewed in the next three or four years, or do you expect all of Capgemini's commercial activities under Aspire with you to be finished by 2020?

Mark Dearnley: As I just said, I see it as a very low probability that we would extend beyond that. It is certainly not our intent in any way.

Q56 **David Mowat:** On the bit that you have contracted from 2017 to 2020, and that you have just finished, approximately how much of Capgemini's contract was that, in value terms—just approximately?

Mark Dearnley: It is roughly 20% of the overall scope of what was the Aspire contract.

Q57 **David Mowat:** So 80% of it is still finishing in 2017-ish.

Mark Dearnley: And transitioning, yes.

Q58 **David Mowat:** Well, it is always transitioning, isn't it? It is finishing by 2020.

Mark Dearnley: I guess the very short answer is that it is not just some Capgemini stuff that will go beyond. There is some Fujitsu hosting stuff as well that we will also run down. But yes, at a macro level it is that sort of scale that we are transitioning.

Q59 **David Mowat:** So, roughly speaking, at the macro level we can say that three quarters of it all is finishing, as previously suggested, in 2017, and the rest of it is what you have chosen to do until 2020, and your current expectation is that that will be it then.

Mark Dearnley: Yes.

Q60 **Chair:** To finish up, Mr Maxwell, I believe that you have committed to remaining in your current position until 2018. Is that right? It says that on your CV here.

Liam Maxwell: I do not think that I have written a copy of my CV since 2011.

Q61 **Chair:** It is your CV that was submitted. It says, "Liam Maxwell, Chief Technology Officer, Cabinet Office. Liam was appointed Chief Technology Officer in December 2012 and has committed to remain in post until 2018".

Liam Maxwell: I had a contract. For my original contract, which was agreed in June 2012, I was asked to extend that until 2018, by my Permanent Secretary.

Q62 **Chair:** Okay, so you will be around. I am just trying to work out who is around as this goes through, that is all.

Liam Maxwell: Yes. But, just to be really clear about where I am and where I sit, in the earlier part of this year I was asked by the same person to take on a new role that splits between the Cabinet Office and the Department for Culture, Media and Sport, so from my position I have transitioned over to that.

Q63 **Chair:** Okay, but you are planning to be around in Government for a bit. How long? I am just checking because—

Liam Maxwell: Yes. I am a permanent civil servant, so if that gives you some cause for optimism or depression—

Q64 **Chair:** Well, permanent civil servants also move on.

Mr Dearnley, I cannot quite work out from your CV when exactly you joined HMRC. I think it is in the Report somewhere—I can't remember where it was. When did you join?

Mark Dearnley: October '13.

Q65 **Chair:** And what are your plans? One of the problems we often see in this Committee is people in very senior positions such as yours moving on very quickly. You have had a stellar career in the private sector.

Mark Dearnley: Jon and I are looking at each other because you are right. Technically my contract finishes at the end of September because I was here for three years. As Jon has just arrived, it is a conversation we have just begun.

Q66 **Chair:** I would hope that you are going to have that conversation.

Mr Bacon: Get your skates on, Mr Thompson; we want to keep him.

Jon Thompson: We all share the same aspiration. We are in negotiations.

Q67 **Chair:** But it is a serious point, Mr Dearnley. You have come in, as I say, from a stellar career across many exciting companies in the private sector. What brought you into HMRC and what would make you stay in the public sector?

Mark Dearnley: I probably won't debate the second point because I do not want to debate a career—

Chair: I am not asking about how much money you would make.

Mark Dearnley: But to answer the first question, there were two challenges that appealed to me. One was the opportunity to do what we have just discussed, which is: how do you take one of the largest IT contracts and safely transform it into what it needs to be? The second, which I would love to spend even longer talking about, is the digital transformation of HMRC. We have gone from something that worked really well for self-assessment to something where now 65% of all the things people want to call us about can be answered if you go to your personal tax account. The digital transformation was the hugely exciting thing that brought me here as well.

Chair: In all seriousness, we hope that those negotiations move apace, because I suspect—and it is perhaps unfair to ask Mr Dearnley to comment— that to lose someone senior at this point would not be good news, given the challenges outlined in the Report. We recognise that there are some good things in this, but we are nervous too, of course, always about delaying cost of a result of that, and opportunity cost.

Thank you very much for coming and giving evidence so clearly. I remind you that our transcript of this will be up on the website, uncorrected, in the next couple of days. We have various extra recesses because of the referendum, so I hope that our Report will be out before the summer recess but it is possible that it may be delayed, because we have had two hearings this afternoon. Thank you very much for your time.