

Public Accounts Committee

Oral evidence: [Accessing public services through the Government's Verify digital system](#), HC 1748

Monday 18 March 2019

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Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Chris Evans; Caroline Flint; Shabana Mahmood; Nigel Mills; Stephen Morgan; Anne Marie Morris; Lee Rowley; Gareth Snell; Anne-Marie Trevelyan.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Siân Jones, Director of Cross-Government Value for Money, NAO, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-174

Witnesses

[I](#): John Manzoni, Chief Executive, Civil Service and Permanent Secretary, Cabinet Office, Kevin Cunnington, Director General, Government Digital Service, Cabinet Office, and Nic Harrison, Director—Design, Architecture and Planning, Department for Work and Pensions.

Reports by the Comptroller and Auditor General

Investigation into Verify (HC 1926)

Digital transformation in government (HC 1059)

Rolling out Universal Credit (HC 1123)

Examination of witnesses

Witnesses: John Manzoni, Kevin Cunnington and Nic Harrison.

Q1 Chair: Good afternoon and welcome to the Public Accounts Committee on Monday 18 March 2019. We are here today to look at Verify, the Government's digital verification scheme. The National Audit Office has done an investigation into Verify because of some of the challenges in introducing it. It is a system whereby members of the public can verify their identity online through various third party providers to access services, including, for instance, HMRC and DWP services. Things have not gone smoothly, so that is why we are looking at it. Before we move into that, I want to welcome and introduce our witnesses. I alert Mr Manzoni that, as he might expect, I want to talk briefly about Interserve. Then Sir Geoffrey Clifton-Brown has a question on something before we move to the main session.

From my left to right, our witnesses are Kevin Cunnington, director general at the Government Digital Service. Welcome to you, Mr Cunnington. I think it is your first time in front of this Committee. We are a friendly bunch. John Manzoni is the permanent secretary at the Cabinet Office, a regular attender here. Nic Harrison is the former director for service design and assurance at the Government Digital Service and is currently director of design, architecture and planning at the DWP. Mr Harrison, can you explain what being director of design, architecture and planning is? I don't think you are an architect, so presumably this is digital architecture.

Nic Harrison: Architecture and digital strategic planning.

Q2 Chair: So you pick up the other side of the Verify system at DWP.

Nic Harrison: At the sort of macro architectural level, yes.

Q3 Chair: I am not sure if that's justice or what. We will wait until we conclude.

Mr Manzoni, obviously we have had some very big news about Interserve over the weekend. Do you want to explain where things are at from the Government end and how you are managing any outfall?



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John Manzoni: The first thing to say is that Interserve is not Carillion and therefore we have been in dialogue with the company for some time. Their restructuring was a refinancing restructuring essentially. Had the shareholders voted in favour, it would have been a perfectly routine operation. In fact, what they call a pre-packed administration is a relatively routine operation in the event that the shareholders did not agree. The lenders, who were in control of the company all the time, had agreed between themselves what would happen on the other side of the pre-packed administration. Because the shareholders did not agree, the company went into administration on Friday afternoon and it came back out on Friday afternoon. So essentially what we have here is a transference of ownership of the company. Our concern, as you know, is always to make sure that public services are maintained. Public services have been maintained through this. We knew that they would be and we were also mindful and fully aware of the plan in the event that the shareholders did not approve. So at one level we supported the financial restructuring of the company because, as I said, this is not Carillion. We supported this one. Fundamentally, it is a good company. There were some issues associated with cash flow that got them in this bind. We still believe it is a good company. The company today has basically halved its debt and has now got £100 million worth of extra cash on its balance sheet, which it did not have on Friday morning. It is now in a better situation to serve Government and us as a customer than it was before.

Q4 **Chair:** To be categorical about this, there is not a single element of the service that they provide to the public that will be at risk as a result.

John Manzoni: I think that is a true statement.

Q5 **Chair:** It is a bold statement.

John Manzoni: I obviously can't guarantee it into the future for ever and a day, but, as it stands today, there has been no blip.

Q6 **Chair:** One of the interesting issues, if we wind back to who the lenders are, is that Coltrane is a major shareholder, and it was their decision as a hedge fund to pull out that has caused this stage to happen. They are also a major shareholder in Capita and Mitie. Are you concerned about the fact that one major hedge fund has a very large stake in at least three that I am aware of—now two—major strategic suppliers to Government and about the impact if they acted similarly with the other two companies?

John Manzoni: This whole process was triggered because of the condition of the company, as opposed to any shareholder creating this outcome. They did create it in the last analysis, because they did not support the restructuring. As you know, Capita has been through a restructuring and is actually emerging in, frankly, a strong place. They are performing well, so we are less worried about that. I think we still need to continue to watch Mitie. It is not out of the woods. We are watching all these companies very carefully. This whole sector, as you know, has been problematic for some years.



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Q7 **Chair:** You had a Crown rep on Interserve. Was it the same Crown rep all the way through? Has there been any interregnum or any gap between the Crown rep's service?

John Manzoni: To be honest, I do not know the answer to that.

Q8 **Chair:** But you have a Crown rep now.

John Manzoni: We certainly have a Crown rep. I have been in dialogue with their Crown rep for six months at least.

Chair: Obviously we have been reading about this for some time. Although the moment was a surprise, we knew that there were issues.

John Manzoni: Yes, this has been going on for some time.

Q9 **Chair:** What about on Capita and Mitie? Do you have active Crown reps on those?

John Manzoni: Yes, we do. We are well aware of all those conversations, and where we believe there to be a need for us to get more heavily involved, we actually go inside the company. We have to be careful with Chinese walls. We put people on the inside of the company so that they can see the monthly cash flows of the company, so that we really understand the condition.

Q10 **Chair:** I think there are 27 strategic suppliers since we lost Carillion; there were 28. Is that right?

John Manzoni: They move around a bit, but it was of that order, yes.

Q11 **Chair:** Exactly—they go in and out, so there are roughly 27. Of those, would you like to tell us how many you are worried about at the moment that might either be going through a major change like this or are at risk?

John Manzoni: This sector, I would say, and it has always been thus—

Q12 **Chair:** When you say "this sector", do you mean the service sector?

John Manzoni: I mean the service sector, especially where it is in conjunction with the construction sector. Carillion was thus. Interserve was thus. Mitie I don't think has the same thing. That sector has been under some stress, and we have been watching those companies very carefully. You saw Kier do a restructuring and a refinancing, Capita doing a refinancing, and Serco a little before then. We have been watching those very carefully.

We still consider this sector to be the most fragile, but there are one or two others that we need to keep an eye on. For instance—this is public—Ferrovia, which owns Amey, is another one. They have said that that sector for them is up for sale, so we are watching that quite closely. We are watching the companies. I do not have the list with me today, but we are watching the companies.

Q13 **Chair:** We have talked before a number of times about being too big to fail. Is not the danger that you have large companies, but some



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shareholders have significant shareholdings in a number of those companies, so there are various risks? If one of the service providers or an investor has a failure or withdraws, this could put a large section of public services at great risk. You can keep an eye on what is going on, but in a crisis does it not mean that the Government would have to step in—that, actually, they were too big to fail?

John Manzoni: It is difficult to answer that question in the general. In the specific, as you know, we took a very different line on Carillion from the one we took on Interserve. We were fully cognisant of what was about to happen with Interserve, and in fact supporting it, supporting the company and taking the steps across Government—because they have a lot of contracts across Government—to minimise the impact.

It was about making sure that the Departments were not losing their nerve or worrying about what was happening in the headlines, because there were a lot of headlines, as you know, before it all happened. To the uninformed, that would be of some concern. We made sure that all that was going on. I am not going to describe exactly what we are doing, but we are taking different steps with different companies to make sure that public services are not at risk.

Q14 **Chair:** How are the living wills going?

John Manzoni: We have only just begun. That has been very well received, as you know.

Q15 **Chair:** But with Interserve, for example, if it had gone the other way and some collapse had happened, would you have known—

John Manzoni: We did have contingency plans.

Q16 **Chair:** So you knew every public sector service that they were running.

John Manzoni: Yes, we did.

Q17 **Chair:** And you had contingency plans for all of them.

John Manzoni: Yes, we did.

Q18 **Caroline Flint:** The GMB trade union is claiming that £660 million worth of public contracts were issued in the run-up to Interserve going into administration. When we last met as part of our strategic suppliers review I think we had an exchange about this in relation to Carillion. You made the point at the time that the Government has to be careful here, because you don't want to mitigate, in a negative way or a too positive way, the fortunes of companies. You have mentioned, Mr Manzoni, discussions across Departments. Were there discussions with partners in Government about the risks of continuing to award contracts in relation to Interserve once it was clear that the company was in trouble?

John Manzoni: Just for the record, the £600 million that was reported in the press—today, I think—the bulk of that was actually awarded way before even the very first profit warning, in September 2017, for Interserve. The value of contracts with Interserve was actually running



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through from way, way before any hint that Interserve was getting into a tight corner. In the last 12 months, there have been awards to Interserve; I'm told it's £175 million-worth of contracts in the last 12 months. Of course, as I have said before, we are not actually at liberty to pick and choose. Each time we make a contract, we have to make sure, or we choose to make sure that the company meets a set of financial tests. We can set those tests, or they're routine and normal tests. And in fact, the last time the big contracts were awarded, the company did meet those tests. There was a late action that actually precipitated last Friday's events, which happened after the last one of those had been awarded.

What we are trying to manage here is this. How does a company look? Is it meeting its financial tests? If that looks good, we have no choice but to treat them the same as every other company, because we can't pick and choose.

Frankly, we knew that this company either would be successful with its shareholder vote or, if it was not successful with its shareholder vote, would do exactly what it did. We have known that for some time. There was a lot of noise from the shareholders. The shareholders have come out worse off as a result of Coltrane's actions, as it happens, because they have ended up with nothing, as opposed to a little bit. We knew all that was going on. We also—I repeat—believe that Interserve is a strong company. It got itself into a financial crunch. From the public sector perspective, this is better today than it was on Friday morning, because it has more cash on its balance sheet and has halved the debt, and the lenders have stepped in, because they take the same view, and have said, "Actually, we're going to back this company. We're going to get it out of its financial hole and we're going to take it forward." So our judgments have been proven okay on this, I think.

- Q19 Gareth Snell:** Mr Manzoni, when we looked at Carillion last time, we asked some questions about the Crown rep system and how viable that system really was for providing Government oversight. You said a moment ago that you had known that this was coming for a while. Does the Crown rep system still provide the level of oversight and involvement that you actually need, given the precarious nature of, we now find, a number of these large infrastructure organisations and the value of the public contracts that they hold?

John Manzoni: In this instance, as an example, the Crown rep has been, I know, in a series of meetings with the company over a very long time, and at every meeting that I have had about the company, or indeed with the company, the Crown rep has been present, so they have actually been central to this particular example. And I am satisfied; he has done a sterling job on this. They have done—he has done; it is a he—a particularly good job in this case. They have been right on top of how this has played out and have, frankly, demonstrated good judgment in terms of "Should we do this? Should we do that?" and what decisions should be made, so I am satisfied.



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By the way, as you may know, we have recently launched, as a result of Carillion, the outsourcing review, which has a series of steps that will take place—11, actually—changes to how the public-private interface works. That is going to take some years, probably, to do, but will over time fundamentally, I think, improve the relationship between the private and the public sector. Between them, all those things are—I think we are in a much, much different place from where we were, say, three years ago, when it was sort of “price wins”. That is not the way to do this.

Sir Amyas Morse: I want to ask about the indebtedness. I remember that, with Carillion, the problem was that they had got involved in ventures in the Gulf and so forth that had not been successful, so they brought that into the public sector contracting situation. What was the source of all this debt on Interserve’s balance sheet? It wasn’t anything like that, I hope.

John Manzoni: No. The source of the issue for Interserve was a series of one-off energy-from-waste contracts that have been slow in coming to fruition. The company took on a relatively isolated set of issues as part of the construction, and it got into a crunch. The cash flow was not where it had predicted it to be, and we could see that that was a relatively isolated case. They spotted it quite a few months ago, and they were moving to isolate it so that the underlying business can now proceed. There are two or three chunks of this company, and that particular issue has now been isolated and sorted, we think. It was a particular energy-from-waste issue, which was in the construction sector.

Sir Amyas Morse: It does sound like they plunged in pretty deep.

John Manzoni: Into energy from waste—they made some big misjudgements.

Q20 **Sir Geoffrey Clifton-Brown:** My question involves two sides of the same coin, to try to get to the bottom of this. When Carillion went into administration, at that point the Government did not have a list of every single contract it held at central Government and local government level. Today you are telling us that you know precisely every contract that Interserve has. Does that include local government?

John Manzoni: That is certainly true for central Government—I was assured that contingency plans were in place. It probably doesn’t cover everything in local government, but it covered the majority of issues.

Q21 **Sir Geoffrey Clifton-Brown:** The point is that if it doesn’t include local government, how can your financial tests be accurate? If you agglomerate every public sector contract, the financial tests might come out with a different answer.

John Manzoni: That is a reasonable point. The financial tests are generally about the balance sheet strength of the company as a whole. Generally, there are a few big contracts. In Interserve’s case, there are 600, or whatever. There are four or five central Government Departments where contracts are really big, and those in local government departments



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tend to be smaller than that. There are multi-hundred-million pound contracts with the MOD for the provision of FM services from Interserve, and similarly with the DWP. The big ones sit in central Government. There will be a tail—we did not get all of them, but we were pretty comfortable that we had contingency planning activity and plans in the event that it did not go well, but frankly, we were confident that it was going to go the way it went.

- Q22 Sir Geoffrey Clifton-Brown:** May I suggest that in future for all these big services companies, you try to collate the entire contract position in both central and local government?

John Manzoni: Part of the next phase of the outsourcing review will get at that—living wills and such things. Now you cannot click your fingers and do that, because, as you know it, is a delegated activity. The information systems do not necessarily pertain, and neither do they in the companies, as we saw with Carillion, which had no idea what the contracts were worth.

- Q23 Sir Geoffrey Clifton-Brown:** May I ask a question about something totally different, which you may or may not be abreast of? As you know, I have a constituency interest in the defence fire and rescue contract. You will be aware that Serco put in a judicial review, which I have referred to previously in this Committee as a spoiler, because it failed to get the bid. There is an issue of public safety because Capita is not being allowed at the fire service college to continue with the contract, yet the MOD is not upgrading its training services. That is not a satisfactory situation. Can you bring us up to date regarding where it is at the moment?

John Manzoni: I can't, except to share your view that it is not a satisfactory situation. I am not best pleased that a spoiler action has been taken by Serco. I think that is holding things up, and it is not good for the outcomes. One thing that we want to get beyond is the rather litigious approach to winning and losing contracts. Part of a more sophisticated relationship is that we get beyond that, which is important. I don't mind saying in this forum that I think it is a shame we are in this position on this contract, and I agree that it is not helping us to move forward.

- Q24 Sir Geoffrey Clifton-Brown:** So while you might not want to share this with the Committee, do you have any plans, working with those big contractors, to reduce the litigious situation you are talking about?

John Manzoni: We are hoping to address it as part of the post-Brexit procurement regime going forward.

- Q25 Chair:** When you say post Brexit—is that because it would no longer be under EU procurement laws?

John Manzoni: Correct—so that we are able to set our own expectations, rules and procurement environment.

- Q26 Chair:** So you have a draft or something somewhere, and people are aware of that in the Cabinet Office.



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John Manzoni: Yes, there is. One of the objectives is to see if we can reduce the slightly litigious nature of people who lose.

Chair: Thank you very much. That is interesting. We would love to start talking about Eurotunnel, too, but we will be here all day if we do that.

I will ask Gareth Snell to kick off on the main issue in question today, which is the NAO's investigation into Verify, what has happened and where things are going.

Q27 **Gareth Snell:** Mr Cunningham and Mr Manzoni, could you give me any of the quantitative KPIs from any of the five business cases that Verify has actually met? Just one example of any quantitative KPI from any of the five business cases.

Kevin Cunningham: On the current business case, we are on track in terms of the volume. The most recent business case from 2018—

Chair: Can you speak up Mr Cunningham? Although this room is a modern room built for speaking, it is not actually that clear.

Kevin Cunningham: Sorry. On the 2018 plan, we are on track, in terms of the volumes of Level of Assurance 1 and Level of Assurance 2 verifications that we have.

Q28 **Gareth Snell:** Okay. Any others?

Kevin Cunningham: You are testing my memory now. I cannot think of any off hand.

Q29 **Gareth Snell:** Any from any of the previous business plans?

Kevin Cunningham: No. Generally the previous business plans all underperformed in terms of the volume of Verify customers that we expected.

John Manzoni: Avoided costs have not been far off, have they?

Kevin Cunningham: No. If we go back to the macro level—are we allowed to talk about the business case? In the 2016 business case we said we would spend £212 million, but in reality we have spent £154 million to date. Over the eight years of the programme, on a like-for-like benefit against those costs of £154 million, we had benefits of £366 million. Ultimately, the system itself covers its costs substantially.

John Manzoni: If I may help, the benefit-cost ratio, from the very first business case, to the state today is 2.4; it is exactly the same. That is met.

Q30 **Gareth Snell:** So that is three. I am just going to challenge you, if I can, on the cost. Obviously, the cost of £154 million was not due to you being any more officious in the application of the programme, was it? That was because the volume of usership was considerably below expectations. So you are saying that spending less, because you failed to meet targets, is now a success, in the Cabinet Office's definition of success.



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John Manzoni: Maybe I could reframe that. I do not think there is any question that Verify did not meet its original business case benefits. Nobody is sitting here saying, "Right, it met its projections." But I think the issue is more one of hopelessly optimistic projections in the original business case than failure, because it is working today, as I have said to you. The benefit-cost ratio of Verify actually meets the original business case today. While the original projections were really way off—

- Q31 **Gareth Snell:** I will come to the previous business cases, because you are right that they were significantly way off, and several reviews and a number of business cases still maintained optimistic trajectories—let's say optimistic for the sake of diplomacy. To what do you ascribe the low take-up across Government for this system?

Kevin Cunningham: Of the 46 presented services, you will probably be aware that only eight of the original ones have been delivered by Departments, 11 new services have been brought forward, seven ceased to operate, 18 are not yet fully digitised and 14 do not require identity. Maybe I can just tell you the history of this, because I was in the Department for Work and Pensions as one of the people who submitted the original five DWP services that we thought would form part of the identity service. The first of those is universal credit, which continues to use Verify, of course. The remaining four never did, for various reasons—they weren't transformed or they weren't digitised—but two of the services, "get your state pension" and "check your state pension," came forward. Candidly, that is pretty indicative of what was going on in Departments.

In 2015, we had only 25 live services across the whole of Government, yet we were projecting to have 46 more incorporate Verify over the next few years. That has just not turned out to be true. The Government has not transformed as quickly as we had hoped; therefore we have seen this reduction in volume.

- Q32 **Gareth Snell:** Without wishing to paraphrase you, Mr Cunningham—I will do it anyway—it is the Government's fault that they have not transformed their service efficiently to catch up with your groundbreaking technology?

Kevin Cunningham: The strategic aims of Verify—not the KPIs; I probably should have started here—were fourfold. One was to create a standard in the marketplace. That is the most important thing. I think we can say that we have absolutely completed that.

- Q33 **Gareth Snell:** It is quite an expensive standard though, is it not—£154 million for a standard?

Kevin Cunningham: Let me point out the other three benefits in our strategic aims. One is, on the standards front, that our standards have been accepted by Europe as passable within the European scheme and they have been acknowledged by the US as the foundations for their own standards. The second thing that we set out to achieve was a commoditised cost model, which we claim today that we have got to. We have got the price down to a point where it can be bought by the



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Government and by the private sector. The third strategic aim was to produce a safe and secure service across a multiplicity of private sector vendors, which again we have achieved. I contrast that with some other countries that have been breached; the UK never has. The fourth objective was the mass adoption of the service. Again, you are right to say that that is where we have not had the success we were hoping for.

- Q34 **Gareth Snell:** Yes, so there was the application of the first three, which are qualitative, and then the one quantitative that was meant to derive actual benefit to the Government and the taxpayer, which has not actually been met. It is not a trick question—

John Manzoni: There is clearly an issue here where, first, the original projections were optimistic—

- Q35 **Gareth Snell:** Why were they so over-optimistic?

John Manzoni: Because I think the Government at the time, back in 2015—or was it before then?—were optimistic about the level of transformation that could happen across the services. I differentiate between digitisation and transformation. There is no question but that that was optimistic, and it is not as if people were blind about it.

There was a bit of us attempting to assert that we could build volume by telling Government Departments to use Verify. I fully hold my hand up that we were a bit slow in intervening in that, because I do not think that the incentives for Government Departments were helpful for it, for perfectly good reasons, because they had not transformed their services and because there was a start-up problem of cost. Their incentives were not to do that. We carried on for a bit too long saying, “Well, we could just tell them and they’ll use it.” That did not happen.

- Q36 **Chair:** That has happened in other parts of Government as well. We have had this before with shared services.

John Manzoni: Yes, to some degree, it has happened. Therefore, we have to be a bit more sophisticated about how we enrol. That was absolutely a problem here. It is quite important to remember that the reason that we carried on as we did was that at every point, Verify was washing its face. It was not just costing; it was delivering more benefit than it was costing, so—

- Q37 **Gareth Snell:** Well, let us for one second take that claim at face value. Yes, it was delivering more benefit, but—let us do the comparisons—the overall benefit that it was estimated to achieve in 2016, in avoided cost to Departments alone, was £466 million, but it came in at £148 million. On the idea that it was deriving benefit, it may have been deriving some benefit, but again, as with the projections for uptake, the amount of benefit that you were intending to derive was considerably smaller. In fact, it was £2.5 billion over 10 years and you came in at less than a quarter of that.



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John Manzoni: What I actually said was that the benefits were in excess of the costs at every point—that is what I actually said, and that is true today. In fact, they are 2.4 times the cost.

- Q38 **Gareth Snell:** The costs that are in here for the service talk about the direct costs incurred by Verify and the Cabinet Office. Throughout the Report, there are examples of departmental costs having been incurred to use the system that have not been consolidated to the costs that you say are being overplayed by the benefits. Has the Cabinet Office actually sought to quantify the entire global cost—not only to your Department, but to the Government as a whole—for the service of Verify, so that you could actually say that the benefits derived have been greater than the costs incurred?

Nic Harrison: I think the answer to that question is complicated by the fact that we provide Verify as an identification service for departmental services that want to use citizen ID. If a Department is transforming a service and needs to use citizen ID, it needs to do something. There are costs that transforming that service inherently carry, and the cost of using Verify is part of that. The benefits and costs for the actual service lie in those Departments. We do not claim—

- Q39 **Gareth Snell:** That is just cost shunting, isn't it?

Nic Harrison: Well, no; it is trying to make sure that the cost appears in only one place.

- Q40 **Gareth Snell:** Okay. So there has been no attempt to quantify, even by looking at the consolidated accounts of each Department, what the potential costs and benefits of Verify have been to the Government as a whole?

Nic Harrison: In my tenure, we have not tried to separate Verify from other identity costs. By the same token that I do not know what Departments have spent on Verify, I also do not know what they have spent on other identity solutions. That is a decision for Departments.

Chair: Well, Mr Snell knows your exact unit costs.

- Q41 **Gareth Snell:** Yes. We will come to that. Mr Manzoni, figure 6 in the Report details quite a nice timeline of various different decision points, including when contracts were signed and when business cases were completed; in one case it is business case version 6, which makes me question what happened to business cases 1 to 5. When you came to the board in 2015 and looked at this, what persuaded you that this was not just a money pit or an exercise that would not really deliver commercial benefits? What made you think at that point that the projections that you were told would be derived would actually happen?

John Manzoni: Verify went live in May 2016.

- Q42 **Gareth Snell:** But the public trial started in 2014.

John Manzoni: The trials did, but the service—

Q43 Gareth Snell: The contracts were signed in 2013, and the business cases were agreed in 2014 and 2015.

John Manzoni: That is all true. It went live in May 2016.

Q44 Gareth Snell: When you saw the business case in 2015—

John Manzoni: I am not sure I was concentrating on the business case in 2015; I cannot remember, actually. However, I did get involved through 2016, when it became increasingly clear that we were not achieving the volumes that we were hoping to achieve.

Q45 Chair: So you are saying that you did not keep an eye on that business case, looking at the projected business—

John Manzoni: I cannot actually remember. I really started concentrating after the service had gone live in 2016.

Q46 Chair: When it started going wrong.

John Manzoni: It wasn't meeting its projections. At that point—

Q47 Chair: Mr Manzoni, you have a reputation in this Committee of being a bit of a troubleshooter across Whitehall, trying to get the system to work together and to get the centre to encourage Departments to do things that are sensible, long term and cost-effective. You are saying that you can't really remember that whether you looked at this business case?

John Manzoni: I admit that I might have been a bit late in the intervening. I intervened quite heavily in 2016. Indeed, through 2016 we were looking at it and we were working with IPA, and then we made a fundamental—

Q48 Chair: So who was looking at it? The volume bit, as Mr Snell is going into, is one thing that helped it stack up, yet figure 3 shows the number of Departments buying the service and figure 6 shows some of the other problems.

John Manzoni: I have said that I think this is a— There are multiple things here. No. 1, we were asserting that we could tell Departments to use Verify, and you are quite right that the incentives were for Departments not to use it, because it was too expensive. That was a start-up problem. No. 2, the services weren't transforming as quickly as everybody had hoped, including all the Departments. The original business case in 2015 had an aligned perspective. The Department and GDS were saying, "This is how we are going to transform the activities," so they didn't transform as fast as they had.

Was I six months too late in intervening? Quite possibly. I do believe, though, that when we did start intervening, we fundamentally changed it. It is quite complicated, because it is a service in the public domain with contractual partners and everything else, so it has taken some time. We can talk about where we are now, but once we really started to accept that the volumes weren't going to be grown in the way that we thought—that took quite a long time, because it took a lot of discussions between



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me and the permanent secretaries of the big Departments—we finally used McKinsey as a review. Remember that, all the time, the identity market was adjusting and evolving in time. When we started this, it was brand new.

- Q49 **Gareth Snell:** Just so I am clear—let me get the timescale correct in my head, Mr Manzoni—when in 2016 did you actually intervene?

John Manzoni: Well, Nic joined in October.

Kevin Cunningham: In September 2016.

Nic Harrison: I became an SRO in October 2016, having joined GDS just a month before. The first thing I did was look at Verify in some detail, and in November I wrote a detailed report that made 11 recommendations. I think my report said directly that Verify was not on a glide path to success, so we needed to intervene and do things. I made a number of recommendations, many of which we took into action.

- Q50 **Gareth Snell:** Sorry—this is October 2016, so this would be the October 2016 business case re-projection? These are part of the 11 recommendations? Is that correct?

Nic Harrison: No, the 2016 business case had pretty much already been written at that point.

- Q51 **Gareth Snell:** Okay, so what did you change from the 2016 business case for your 11 recommendations?

Nic Harrison: The 2016 business case had been written and had been through the Cabinet Office investment committee and the Treasury—it was a business case. As I came in, I recognised that it was unlikely to deliver in its current form.

- Q52 **Gareth Snell:** Literally a month after it had been signed off and agreed by the Treasury, you said to the Cabinet Office, “This is not going to work.”?

Nic Harrison: I certainly said it was not on a glide path to success. I came in with my eyes open—

- Q53 **Chair:** What were the Belisha beacons that stuck out and made you say, “This isn’t going to work.”?

Nic Harrison: It was massively behind on volume.

- Q54 **Chair:** Was it that people were putting up the volume of users to make sure the numbers matched? The projected volume of users was increasing in the business to make sure the business case balanced? Was that what happened?

Kevin Cunningham: We just didn’t have enough adopting services. That was the bottom line.

John Manzoni: I don’t think the projection was changed. It was the continuation—



Q55 **Chair:** So it was over-optimistic from the beginning?

John Manzoni: Yes.

Q56 **Gareth Snell:** The 2016 business case projection was changed. Figure 2 shows that there was a deviation. There was a reduction in the projected uptake of users. As it happens, that failed as well. What I want to understand from Mr Harrison—this is quite important—is this. Figure 6 says, “Oct 2016...GOV.UK Verify Programme Business Case Version 10” agreed. You are saying that you came in just after that, looked at that business case and said, in your professional opinion, “Actually, this is not going to achieve the outcomes that the business case has identified, even though they have been signed off by the Treasury.” What did you do next? What happened next?

Nic Harrison: What happened next was that, after my report, which made 11 recommendations, we started to explore those recommendations. They were all measures to build more volume. It is as simple as that. It is a volume game. They were all ways we could potentially build more volume. The services that had been identified in 2015-16 were frankly the art of the possible, not the art of the art of the probable. They were services that could be transformed and could have a requirement for identity. We got into in-depth discussions with Departments trying to on-board these services. For a very good, sensible set of reasons, Departments had other priorities and other pressing issues. Services that were put on the original list in perfectly good faith by all sides just became impractical in a short-term timeframe. We started to look at other services and other areas where we could derive volume. We talked to local authorities and the health service, which was originally excluded from the business case.

Q57 **Gareth Snell:** What were your recommendations for the local authorities and the health service? As I understand it, no local authority has taken up this contract offer at all.

Nic Harrison: We continue to work with local authorities—

Q58 **Gareth Snell:** I am very clear in my wording, Mr Harrison: no local authority actually uses Verify at the moment, do they?

Nic Harrison: That is correct.

Q59 **Chair:** But in 2016 you were suggesting that that was an opportunity for growth.

Nic Harrison: Correct.

Q60 **Gareth Snell:** Can I ask about the timescales? In April 2016—I appreciate that that was before your time, Mr Harrison—contracts were signed with additional providers. In October 2016, the business case was signed off by the Treasury and the Cabinet Office. You came in after October and said that actually you had 11 recommendations. At what point did you have a conversation with the additional suppliers to say, “Actually, the business case that we now have, to service the demand



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that we have signed up for you to deliver, will not materialise”?

Nic Harrison: I never had that conversation in exactly that terminology.

Q61 **Gareth Snell:** Did anybody have that conversation, Mr Manzoni?

John Manzoni: Not as far as I know. I don't know the answer to that. I think in some senses the context of this was complicated, wasn't it—

Gareth Snell: Well, not really.

John Manzoni: —because they changed the management and leadership of GDS just before that. One of the reasons for doing that is exactly this sort of thing, so it is not—

Q62 **Gareth Snell:** When did you come in, Mr Manzoni? Just remind me.

John Manzoni: Into where?

Gareth Snell: Into the Cabinet Office, with responsibility for the project.

John Manzoni: August 2015.

Q63 **Gareth Snell:** Right. Bearing in mind that Verify's original programme business case came in 2015, who agreed to sign off the contracts for additional suppliers in 2016 when there was no immediate evidence that there would be an increase in supply?

John Manzoni: I can't remember.

Q64 **Gareth Snell:** You can't remember. You are forgetting a lot of things today, Mr Manzoni.

John Manzoni: No. That was quite a long time ago. I came in—

Q65 **Chair:** Well, you did come to this Committee to discuss this.

John Manzoni: I accept that.

Q66 **Chair:** There is an NAO Report, which we note is uncleared—you did not sign it off with NAO.

John Manzoni: No, I didn't, because it was issued before I got to sign it off.

Chair: Could the NAO just clarify that?

John Manzoni: Since you raised it, we were in a discussion, and I found out that the Report had been issued. There was not much point in signing it afterwards.

Q67 **Chair:** Ms Jones, would you like to comment on that?

Siân Jones: The Report was sent out from the CAG's private office on the Monday—that was the final version. Previous to that, we had had two to three weeks of discussion with GDS, and then the formal Report went out on the Monday with a request for comments from Mr Manzoni's office by the Friday, which did not appear.



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John Manzoni: I cannot remember when we had our meeting, but we did not—

Sir Amyas Morse: Unfortunately, you cannot just go on and on letting it drift. We have made it pretty clear—

Q68 **Chair:** So there were a lot of discussions with your office, Mr Manzoni, and with Government about this Report.

John Manzoni: We had a meeting about it, and the Report was issued—that is fine.

Chair: We might go back to that meeting later, but let me bring in Mr Snell first.

Q69 **Gareth Snell:** Just a final point: you came in and made your 11 recommendations in October 2016, Mr Harrison, and then in October 2017 the Cabinet Office commissioned an external review of the strategic options. How many of your recommendations fed into that review?

Nic Harrison: I would think that all of them certainly featured in it.

Q70 **Gareth Snell:** So what significantly changed, in terms of the way in which you operated, between the business case in October and the outcome of the review a year later?

Nic Harrison: What do you mean?

Gareth Snell: Presumably you had a business case that you knew was not meeting expectations on volume. You made your 11 recommendations and an external body was then commissioned to strategically renew Verify. Throughout the entire iteration of this programme, there have been five business cases and 20 internal and external reviews. What I want to understand is at what point you actually started to change what you were doing in order to act on those reviews and try to improve the service.

Nic Harrison: The answer to that, as is often the case in these agile-type developments, is that we were making hundreds of changes throughout that period, all of which were quite small, because that is the nature of identity. The problem in identity management is that there is no one silver bullet; it is a combination of what data sources you have, what technologies you are using, how the physical user journey exists in the software, and how it is integrated into the services that want to use it. There is rarely one single thing that you can do that makes a really material difference. It is a question of going through the hard work.

We were working very closely with the identity providers, looking at their data and looking at our data, and trying to improve how their services worked. They were themselves looking at where they could get new data sources and how they could improve their user journeys. We were working with Government Departments to try to expand the list of services that could use it. It was a continuous full-time job, without a single killer punch, I would say.



John Manzoni: If I may add to that, Nic's review said we should work LOA1. As I understand it—Nic will put me right if I am wrong—that was launched by the DVLA in August 2017. LOA1 launched as a result of both Nic's review and also the McKinsey review, which is the review you referred to.

Q71 **Gareth Snell:** You referred to it.

John Manzoni: Sorry, the external review that you referred to. That resulted in a substantial change to the strategic direction of this programme, which was formalised in the business case first in December and then in February 2018. Through the course of 2017, we were working with Departments to try to see if there was a different way of building volume in the context of their perfectly sensible decisions—as Nic has said—that they weren't going to lean in and build the volume. We were working with Departments then. We ended up with an external review and that external review resulted in a substantial change at the end of 2017 and the beginning of 2018, in terms of the strategic direction of this programme.

Q72 **Gareth Snell:** Although the strategic direction of the programme may have changed, the uptake in the number of people signed up to Verify didn't significantly increase at all over that period. Given that you had an external review and given that, Mr Harrison, you had had 11 recommendations, those recommendations clearly failed to meet expectations. Why did those recommendations fail? Even after the strategic shift in direction, what then prevented Verify from making the volume that was expected under all the business cases?

Nic Harrison: This is a volume game.

Q73 **Gareth Snell:** Yes and you are not getting any, so I am trying to understand why.

Q74 **Chair:** You have said that several times already, Mr Harrison. Volume was the key—we have got that—but you didn't get the volume right.

Kevin Cunningham: Do you mind if I help out? Our expectation was that Departments would transform more quickly and services would come back more quickly to where, if you like, I signed off those original five programmes in DWP, but only three happened. It just wasn't happening. We recognised that it wasn't happening. As John says, the key point for us was when the McKinsey review highlighted that Government were only going to ever be 2% of citizens' use of digital identity and the vast majority of their use would be in the private sector. That is when we began to actively plan: the Government are going too slowly, we are not going get there, so how do we need to make this work and how do we get commoditised pricing at scale?

Q75 **Gareth Snell:** I want to come on to the commodity pricing of it and the commercialisation of data, but I want to talk about the user experience for a second. The original business case stated that they wanted the verification success rate to be 90%. Obviously, in those early days that fell well short. How much do you think that impacted on other



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Departments wanting to take on that service?

Nic Harrison: There are a couple of things in there. The 90% figure appears in the 2015 business case, which is highly speculative and shows best probabilities. It was derived from what the likely success rate could be, based on demographics and looking backwards from a period when the product had been a success.

Q76 **Gareth Snell:** It is also the figure that was in the Government business case that was used to allow sign-off of this programme to go forward. Regardless of whether that is a figure that is right or not, it is the figure on which this business case was predicated, and it failed to meet it.

Kevin Cunningham: No question. It was adjusted down to the range of 20 to 30 in the 2016 business case, when we recognised that wasn't going to be true. As Nic says, the 90% was based on a future state where a lot of people are already verified—not the challenge of signing up. Nic uses a very useful analogy around the challenge in signing up for a bank account versus logging back into your bank account. It is important to recognise that 90% was based on a point at which most people had already got their bank account—their verification ID—and were signing back in, not trying to create it.

Q77 **Gareth Snell:** Mr Cunningham, those services that were not using Verify—what were they using instead?

Kevin Cunningham: Often nothing—or most often nothing. So, of the original 46 that were planned, only eight of them actually went ahead to use Verify. Seven ceased to operate—they just disappeared; they weren't good ideas—18 weren't transformed at all and 14 didn't require identity. A good example of the latter category would be a benefit with a medical assessment. What we thought way back in 2015 was we would identify people as part of the process; but what we recognised is, since we had got to do a medical assessment anyway, you know full well the person in front of you is the person who is in front of you. So there is no need to make the system more complicated.

Q78 **Chair:** You only discovered that later.

Kevin Cunningham: Yes, that's true. We only did discover that later.

Q79 **Chair:** So what was the business case—were you modelling any of these pathways for the user?

Kevin Cunningham: No, not explicitly. Not in 2015, when the original business case was put together. It was a list of what are the most likely digital programmes to use Verify—

Q80 **Chair:** It seems a bit “finger in the wind”, when you have got all these things that might need Verify, but are not actually saying to the people using those processes, “Would you need Verify?”

Kevin Cunningham: Yes, it's true, but of course you have to have perspective on this. The Government only had 25 live digital services at

that point, so it wasn't as if the Government had large amounts of expertise in assessing—

Q81 Chair: Evidently not.

Kevin Cunningham: No, it's absolutely the case that it wasn't.

Nic Harrison: In fairness, this list of services was put forward by the Departments. This was not something entirely created by GDS. This was a list put forward by Departments: "Here is a list of services that we believe, in a future online state, might need an identity element".

Q82 Gareth Snell: Can we just look at figure 3, very briefly, while we talk about this? The systems that weren't using Verify: how many of them were using the HMRC Government Gateway system?

Nic Harrison: I don't know the breakdown.

Kevin Cunningham: I think it was six.

Q83 Chair: Six—which included HMRC.

Kevin Cunningham: It was almost exclusively HMRC—and, actually, DWP Check Your State Pension.

Q84 Gareth Snell: So given that we had a pre-existing system owned by HMRC, through Government Gateway, what prompted the Cabinet Office to think that reinventing the wheel, to have a new system, was the way forward?

Nic Harrison: Fundamentally, the Government Gateway system is not a citizen identity system. It is a secure log-in into a service. To be honest, the difference between those two things has bedevilled this discussion for as long as I have been involved in it. A citizen ID system is a way for a person to project their identity legally to a service without needing to be there. So that means someone who is using an identity system, it meets a standard—and we have set out a number of different standards within Verify: the LOA levels, or level of assurance. Level 2 has a certain meaning. It means it is enforceable up to civil court standard; whereas a secure log-in, which is what the Government Gateway system is—all that proves is that a log-in exists and you know the password to it.

Q85 Chair: Actually I beg to differ, having had the delight of using both. If I were careless with my paperwork—my numbers, or where my passport was—someone could probably log in with my Verify as easily as they could with Government Gateway. That might be easier, because Government Gateway is a very long number you have to remember, which I could never find.

Nic Harrison: That might be true up to a point but, over time, for example, one of the things we are buying from IDPs—the point of having this service—is that they are continuously checking these attributes are still true, whereas Government Gateway is always a point in time, of what you set up.



Q86 Chair: Do you mean the new pass code arrives to your personal phone, for example?

Nic Harrison: No, that sort of two factor authentication exists in both systems, but it is the level of background checking that goes on in Verify that makes sure that if your circumstances change it updates that regardless of whether you tell anybody or not. So if you move, for example, Verify knows about that and, therefore, will force potential higher authentication levels when you use it again.

John Manzoni: This is quite a fundamental issue, which, as Nic said, has bedevilled this project from the very beginning. These two things are very, very different. A Government gateway is very different from a digital ID, which is ubiquitous and can be used in many different places. The latter is much harder to establish, as we have found out, but it is a very different issue. It gets a bit technical and a bit complicated. By the way, since 2014 and 2015 the market has developed so that there is now something of a clamour for a digital identity, which there wasn't when this started.

Siân Jones: Our understanding of the Government Gateway is that it isn't just the initial log-in. I appreciate the point about apples and pears that we are talking about here. Clearly, beyond the initial log-in, HMRC is also doing other checks with the other existing information that it holds for its customers, to do checks.

Chair: That is HMRC-specific, isn't it?

Q87 Gareth Snell: Looking at figure 3 of the NAO Report, on page 14, and putting aside the eight services that use Verify only, of the 11 that are there that have an alternative online access route, the HMRC services in particular—taking your point, Mr Manzoni, at face value, that the Government Gateway log-in is not the same as Verify—does HMRC incur a cost for registering a Government Gateway in the same way that the Cabinet Office incurs a cost for registering with a Verify account? Is it necessary to have a Verify account to undertake all the work that you have to do in those HMRC portals?

Nic Harrison: There is no requirement to have a Verify account if you use the alternative access method.

Q88 Gareth Snell: Does HMRC incur a cost?

Nic Harrison: They do.

Q89 Gareth Snell: Do you know what that cost is?

Nic Harrison: We have never been able to determine exactly what it is because, obviously, it is slightly an operational cost and is buried in other development costs. But there is an operational cost.

Q90 Chair: They are not paying a fee, are they?

Nic Harrison: No, they are not paying a fee.



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John Manzoni: That is part of the problem with the earlier question, of identifying the true benefits and the true costs, because the costs of the Gateway are so embedded in the normal operations of HMRC, whereas the costs of Verify are necessarily explicit because it is contractualised. That is the fundamental complexity of trying to—.

- Q91 **Gareth Snell:** But in theory, if you are somebody—I would say me, but I don't use most of these systems—who has both a Government Gateway and a Verify account, the Government has incurred a cost twice for you to access the same service potentially through two separate routes.

Nic Harrison: Correct.

- Q92 **Gareth Snell:** That is not value for money, we would all agree, I hope.

Nic Harrison: Agreed.

- Q93 **Gareth Snell:** Okay. Can I briefly go back to the experience? Paragraph 1.17 on page 16 of the Report talks about the success rate for the numbers of people who attempt to sign up. Putting aside the 2015 figure of 90% and recognising that your current figure is 48%, Mr Cunningham, can you explain why the success rate does not actually cover how many people get through to the service they want in the end?

Kevin Cunningham: Yes, I can. GDS measures only the completion rate for people entering the Verify service and leaving it, because that is the only part of the process we have control over. The reason we do not extend beyond that is the privacy regime we are signed up to with the privacy groups. So we can only see end to end across our service. We cannot see which services call us, and vice versa, services cannot see which IDP we use. It is all part of the privacy model—

- Q94 **Gareth Snell:** Okay. Once somebody is in the system, basically it is up to them whether they get to the service they want, but as long as they get into the system that is what you tick off as being a successful registration.

Kevin Cunningham: Yes, typically a citizen would type into Google, "Check my state pension", let's say. They would then go on to a set of Government websites that would enable them to choose their identity provider. They go through the identification process, which I measure, and are then matched back into the consuming service.

- Q95 **Gareth Snell:** Okay. Given the limited access that you could get through Verify at the time, and partly linked to our previous conversation about Government Gateway, which I now accept are two separate systems, on the underperformance of Verify, coupled with the complex nature of its existence, how much of that was a factor that did not allow HMRC to take up Verify and instead chose to stay with Government Gateway?

Kevin Cunningham: There are two answers to this. There is a very simple answer, which is a learning, and then a very much more complicated answer as to why it is the way it is. The simple answer that we have learnt over time is that it is much easier for new services to work with Verify



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than it was for pre-existing services like the tax platform or universal credit, and that is just a learning. They were designed in a certain way. They are not so compatible with the way Verify works, and they would have to go back and do some rework, which they do not want to do, to make it work for the Verify system.

As for the complicated reason why the Verify completion rates vary, there are three elements. One is that it depends on the level of assurance you want to get to. We know that the higher level of assurance on LOA2 is harder to achieve because, in your case, you need three specific items of evidence: your passport, your driving licence and some financial information. That is harder than getting into LOA1, which is relatively easy. In our best performing services today, our best performing LOA1 service at 95% is the health service pension. Our best performing LOA2 services are in the range of 70% to 80%. So first it depends on the level of assurance you want to get to.

Secondly, it depends on the demographic of the user. Universal credit is particularly at an end of a continuum where we know people on universal credit do not have strong digital footprints. They might be using mobile phones to verify themselves rather than tablets or PCs, and it varies according to demographic.

The third element is how strongly you nudge people into using Verify. A good example of this: for universal credit, absolutely do not try and nudge people into using Verify. The primary policy objective is to get claimants paid, and claimants go all the way through the process before saying, "Wouldn't it be nice to verify yourself?" So you have always got three factors and that is why the rates vary: level of assurance, demographic of the user base and then the nudge behaviour that is in the consuming system to get people to verify themselves.

Q96 **Chair:** None of that is rocket science.

Kevin Cunningham: Are you saying it is rocket science?

Q97 **Chair:** It isn't. There was a whole ID cards programme before this that could have told you some of that, yet you still didn't put it in in the right volumes.

Kevin Cunningham: I am not sure I have understood your question.

Q98 **Chair:** It was just that you were way out on the volumes, despite knowing, as you have now outlined, that there were these barriers. You could have done an analysis of the demographics and an analysis of the digitally connected and those who weren't who were using these services. Did you do any of that?

Kevin Cunningham: Yes, we did.

Q99 **Chair:** And yet you still came up with these high volumes.

Nic Harrison: All those original projects predate any of our time in this programme.



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Q100 Chair: But you then walked into it. When the millennium dome was created, every time there was a problem they would just think, "In that case just increase the visitor number projections." If you see it is wrong at that point—you obviously brought up your 11 key points, but did any of you at any point think, "Maybe we need to do more than a reset, like a big, big reset on this or we have got to do some heavy lifting"? Mr Manzoni, you talked about trying to persuade Departments to buy into this and having lots of heavy discussions with Departments. I know this is a frustration that filters through your job, but where were you getting with those conversations?

Q101 John Manzoni: They took place through 2017. That is when they started taking place. As I mentioned, context is important. We changed the leadership at GDS. The leadership of this programme was changed. The new leadership took a view at the end of 2016, and then through 2017 we were increasingly aware that the volumes simply were hopeless. So we were in discussion trying to figure out what really was the incentive structure for the Departments. Why weren't they using it? We were trying to get at the full and true costs of the Gateway process. We were trying to understand them and compare them with the Verify process. We were trying to do all that through the course of '17. Ultimately in the summer of '17 we decided to invoke an independent review, which then basically created a set of conditions. Quite frankly, it was a sort of negotiated way of reaching an objective. The truth is that this had driven everyone into their corners. That is what happens over time, and—

Chair: That is a polite way of putting it.

John Manzoni: Well. Therefore, it took time to get everyone back on to the same page, and the independent review helped that—

Q102 Chair: Cutting through that, as you are a direct speaker, you are saying really that the previous GDS—we will throw them under the bus as they are not here—had not really tuned into what users, in this case the Department users, wanted, needed or didn't have the confidence—

John Manzoni: You saw some of the same behaviour with the shared services—you raised it yourself. There was an instruction that said you would use it—

Chair: And rural payments.

John Manzoni: Right, and it didn't work. As we have just hinted, this is a really complex thing: it is quite technical; it is not the same as Gateway; and it has third party contracts. So this was really quite a complex environment in which to make a switch of direction and to acknowledge that the incentive structures just weren't set up. You couldn't carry on beating people up and saying, "Would you please use the service?", because it wasn't right. That is why it took the best part of nine months or something to get us heaved around into a new direction.

Q103 Gareth Snell: Presumably then, going back to figure 6, in February 2018, "Digital Identity Full Business Case Version 1 Draft 5", that is the first



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time that the recommendations from Mr Harrison, the outcome of the 2017 external review and the three options all came together to give an idea of where this project should go next—

John Manzoni: And the OBC in the December of the year before.

Gareth Snell: If I had been an onlooker, an outsider peering through the windows of the Cabinet Office in that February—

Chair: That is what we are really.

Gareth Snell: I don't spend too much of my time leering through windows. What would I have seen change in how your office approached this contract, in terms of the tangible conversations you were having with Departments, of the actions you were taking and, going back to my earlier point, of the conversations that you were having with contractors to make them aware that the volume was about to be rescaled down much below what the original contract values were?

John Manzoni: Let me start at the high level, but it was pretty fundamental. First, we had opened up LOA1 by that time, and previously we had been holding LOA2 as a high pinnacle that had to be achieved—so opening up LOA1 was the first thing. Secondly, we capped, and were explicit in the cap about the amount of money that the Government would spend from that point, and we invited the contractors into a wholly different commercial arrangement with Government in bidding for volume—so we were explicit in saying, "We are not going to continue to subsidise this. We have a level of money that we will put in. Do you want to play in those circumstances?"

Q104 **Chair:** With all of this, you are probably getting exasperation from me and Mr Snell. You would have just closed down other projects like this. Why didn't you with this one? Is it because you were so tied in? What was the problem stopping you? GDS would have done the same—rural payments is a case in point—and tried to change it from the other way.

John Manzoni: It is not obvious to me that—With the programme as currently structured, if you buy its original objectives, which were to create an identity market for this country, which by the way increasingly outside commentators are saying now—

Chair: Funny, isn't it, how identity cards come back one way or another?

John Manzoni: Commentators are increasingly saying we need an identity market. What have we done? We have created a set of standards, which by the way is internationally acclaimed and agreed—which is now with the outside world—and we have a set of providers, a market and a commercial contract—

Chair: Arguably, the banks—this is what—

John Manzoni: We will come to the banks, if you like. Right now, we have a set of providers who have bid in and said, "Yes, we're prepared to play that."



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Q105 Gareth Snell: But, Mr Manzoni, you spent £154 million to get a series of standards, so I would hope that they are internationally acclaimed given the money that you spent on them, and you have providers, but under the renegotiation of the contracts in 2018, providers dropped out, so you have a shrinking pool of providers for the Verify service who only guarantee £21 million between now and 2020. At the end of 2020, which we will get on to in a minute, we actually do not know what will happen to this service, the cost price or the issues that have been discussed so far. I appreciate that you are trying to put a gloss on this, but you understand that, from a value-for-money perspective, £154 million plus another £21 million to have at the end of it no guarantees whatever is how you can read the Report.

John Manzoni: You can, if you choose to read it that way, but you have forgotten the £366 million of benefit that went with the £154 million cost.

Q106 Gareth Snell: Again, Mr Manzoni, the NAO has quite rightly said that it cannot work out how you have calculated that. It cannot replicate that level of benefit saving from the information that you have given it. Perhaps you would like to enlighten the Committee by explaining how you have quantified that level of benefit to the public purse, given that the NAO—the national auditors—appears unable to do so.

Nic Harrison: The answer is that the numbers that appear in various businesses cases that outline the costs and benefits are all constructed in the normal methodology that has been through the Cabinet Office investment committee and the Treasury. They are largely things like costs avoided, which is difficult to measure. I am not surprised that the National Audit Office cannot measure them independently, particularly the failure to deliver them as opposed to their projected size. We did not invent a new methodology for the benefit analysis.

Q107 Chair: It seems to us that the volume was always going to be a problem. You are all saying that it was before your time, but you are here to answer for the Government now. Why were they so far off? As I said, Mr Manzoni, is it this barrier where Departments do what they want regardless?

John Manzoni: No, I think there were two things going on. To go back to the volume point: back then, there was all sorts of optimism around what could be achieved and how quickly.

Chair: There is always optimism—that's the problem.

John Manzoni: Well, I accept that, but the world moves pretty fast. We know a lot more. When I first started this job, I was in a conversation about universal credit and how optimistic that was when it first started. We had to reset that and today—five years later—it is a very successful digital service, but it took a lot longer than we thought it would at the time, so there is a whole contextual piece that the whole system was rather optimistic about the pace of digital transformation. That is not the case. Increasing realism, of course, makes it difficult to sit here and argue and justify, but back then, there were lots of examples of where we

thought that we would go faster than we actually have done. You can digitise services, but it is a lot harder to fundamentally transform them to enable the Verify access.

Q108 Gareth Snell: I want to touch on the contracts that were brought in in 2018 and take us through to 2020. For the existing providers, you said, "This is the amount of money"—in your own words—"Do you want to play?" What benchmarking did you use to determine what was an appropriate level of remuneration in terms of individual transactions?

Nic Harrison: Specific benchmarking? There are some specific contracts that already exist that give us some comparators. Frankly, the principal story is that we have been in conversation with the IDPs themselves and understood some of their cost structures. We had some independent benchmarking, as part of some of the independent reviews, which gave us a good idea of what the unit cost could be.

You have to bear it in mind that the costs across the individual suppliers are very different, so we were making a best estimation of what we believed would still be profitable. Obviously, when we let those contracts, we wanted IDPs to commit and play; there had to be an element of profitability so that they would still join the party, but we wanted nevertheless to limit the amount of money that we were putting up in a subsidy. It was a finely balanced judgment between keeping them in the game and trying to achieve the lowest price possible.

Q109 Gareth Snell: Paragraph 2.3 on page 18 says that the average overall price paid for new LOA2 verification was £22. Are you able to tell me what the price is in the current contract?

Kevin Cunningham: We are able to write to the Committee and tell you what that price is, but because it is a commercial arrangement, the commercial providers obviously do not want it in the public space.

Q110 Chair: You agree to write to us privately on that?

Kevin Cunningham: Yes.

Chair: Okay. We will wait for that, and maybe come back to you.

Q111 Gareth Snell: Is it substantially lower than £22?

John Manzoni: The other key difference was that we have said, "You can go away and build volume. You can go and verify citizens yourself." That was another key shift of this strategy, and that means that they are now prepared to invest, and there are signs that they are beginning to invest, in building their own volume, which of course will—

Q112 Gareth Snell: Was it significantly lower than £22? Yes? Okay—does that mean that the original contracts were overvalued, and not good value for money?

Kevin Cunningham: It was a different point in time, I would say. Part of the early phases of the identity programmes was to try to encourage



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people even to be in this space. If you go back to 2015, it probably was not as obvious that it was going to be quite the market that it is today. To John's point, we see very clear signs of real activity in the market by the IDPs today.

Q113 **Gareth Snell:** Okay. Where are they going to succeed in building volume where the Cabinet Office failed?

Kevin Cunningham: In the private sector, bearing it in mind that the private sector is 98% of the citizens' usage of their identity. Government was always going to have a slightly cameo—

Q114 **Chair:** So you are very confident that they are going to keep investing?

Kevin Cunningham: They are very confident that they are going to keep investing. I have met with all the IDPs recently. We hosted a roundtable with all of them as recently as a couple of weeks ago. They all have very ambitious plans—

Q115 **Chair:** And the brand is still going to be Verify?

Kevin Cunningham: Yes.

Q116 **Gareth Snell:** You are confident that they will build volume, and that that increase in volume will ultimately bring down the unit price per verification.

Kevin Cunningham: I am confident that they will build volume. The price point is guaranteed in the current tiered contracts that we have as Cabinet Office with the IDPs.

John Manzoni: That is the strategy. We are not going to promise the strategy, but that is the strategy, which is a fundamentally different strategy from telling the Departments that they are the ones who are going to build us volume. That is why it is fundamentally different.

Q117 **Gareth Snell:** Two points on that, if I may. When this is spun out as a good commercial operation, if you find that commercial providers are suddenly making significant profit on the back of the commercial operators in the private sector, have the Government done any work to protect their intellectual property, having put the money up to start the platform in the first place? Is there any dividend repaid to the Government for this £154 million project that you have given to the private sector?

John Manzoni: It plays into the £366 million of benefit, but that would be a nice problem to have.

Gareth Snell: That is a no then.

Chair: That is not an answer to Mr Snell's question.

Q118 **Gareth Snell:** What actions have you taken in the Cabinet Office to protect the intellectual property and the investment of the taxpayer into the Verify service once it is spun off and used commercially in the private



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sector?

John Manzoni: We will only pay what we are prepared to pay for Government services.

Gareth Snell: That was not my question.

Chair: Try again. Third time lucky, Mr Snell.

Q119 **Gareth Snell:** There is an echo in this room. Mr Manzoni, what action has the Cabinet Office taken to protect the intellectual property of the platform created through public money once it is spun off and used commercially in the private sector?

John Manzoni: I am not aware, but I think that is an ongoing discussion.

Nic Harrison: I think there is a slightly more complicated answer to that question, which I will try to give. There are two separate parts. The verification being done by the private sector on our behalf, which we are paying them for, is their IPR anyway. All those systems belong to them; they have developed them, and they have invested. That is what they have already paid for. There is an element of the Verify system—the hub and certain data platforms—that belongs to Government currently.

Q120 **Chair:** And the brand—the name “Verify”.

Nic Harrison: Yes, and the name Verify. Between now and the end of the existing contracts, it is our intention to, as you say, spin that off into the private sector. The commercial arrangements under which that will be done have not been finalised. It is possible that we can generate revenue. All things are still possible.

Q121 **Gareth Snell:** I am going to take from that—correct me if I am wrong—that there is currently no active pursuit by the Cabinet Office of any revenue income stream from the platform that £154 million worth of Government money went into, for a name brand that is owned and created by Government, and for a service that we are then going to have to pay to access commercially.

Nic Harrison: By the same token, we are not giving it away, either. This has not been decided. The method of disposal is currently under discussion.

Q122 **Gareth Snell:** So what is going to happen in 2020 when the existing contracts expire?

Kevin Cunningham: We and the Crown Commercial Service are currently in negotiation with the IDPs about the successor programme—the broad 2020 programme. If I just go back a bit, though, the strategic objectives of Verify were to set the standards, provide commodity pricing, provide a safe and secure platform, and get mass adoption. At some level, we will have achieved those.

Q123 **Chair:** But not mass adoption.

Kevin Cunningham: Through the private sector, we believe we will.



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Q124 Gareth Snell: Sorry, but that is a very big statement to make, Mr Cunningham—that you believe you will. What is it that gives you that confidence when the last seven years of programme work has not delivered the volume that you needed, and as Mr Harrison has said, it is a volume game? What makes you more confident now that the private sector is going to achieve that where Government have failed?

Kevin Cunningham: There is more volume in the private sector. Some 90% of our usage with citizens is with the private sector, not with Government.

John Manzoni: The other change is that we have allowed private sector use, which up until the 2018 business case was not allowed, so we are now enabling the providers. By the way, it is perhaps good that it is five, not seven or nine. We have enabled the private sector providers to build their own volume.

I suppose for me, as I look at it, the fact that five of them have bid in to undertake this service says that at least those five are confident that they can build volume now, reducing cost to Government. That is, if you like, giving us confidence that we did not have before, because we were trying to use some other volumes. This is not a done deal, but it is a signal of their confidence, which we now need to play into. They can use it in the private sector, which they were not able to do.

Q125 Gareth Snell: Is it written into their contracts that, as they develop their private sector use of this data, they are obliged to reduce their cost to Government?

Kevin Cunningham: Up to 2020, yes.

Q126 Gareth Snell: But after 2020?

Kevin Cunningham: No, but our whole intent is to renegotiate, given an emerging market for identity in the UK. We see very clear signs of secondary players emerging in the market at the kind of price point that we have negotiated, so we are getting increasing confidence that this will be a mass market for identity in the UK.

Q127 Gareth Snell: So it will be a mass market in which we are wholly dependent on five commercial operators, for whom we will have no contingency.

Kevin Cunningham: Or potentially other entrants into the market as well.

Q128 Gareth Snell: Are there any signs of any?

Kevin Cunningham: Yes, there are.

Q129 Gareth Snell: So Government will still be dependent on trying to negotiate against providers for the lowest possible cost point, but there is no guarantee that as volume increases—

Kevin Cunningham: What we experienced last time was active competition among these providers to provide this service. It is a market



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that we are generating. As John says, there are no guarantees, but it is an increasingly maturing market.

Q130 Gareth Snell: What will happen to the 380,000 users who were previously registered through Verify, the Royal Mail or the CitizenSafe service? Where do you anticipate those going, and how much money have the Government put aside for—or how much do they expect to spend on—the re-registration of those 380,000 people?

Kevin Cunningham: The Royal Mail and CitizenSafe have written to all those customers, saying they are terminating their service, and obviously our advice to those customers is to re-register or re-verify with a new verification supplier. Ironically, re-registration turns out to be cheaper for Government than continuation of those older contracts. So it goes back to the point you made earlier: the new price is so substantially lower than the old price that actually we do not lose money on this as a Government. Ironically, we gain money on this as a Government.

Q131 Gareth Snell: What is that going to cost?

Kevin Cunningham: I can write to you and tell you what it will cost, if you like. I cannot remember the price.

Q132 Gareth Snell: That is helpful, thank you. If I may, I want to also touch on that final aspect of the 2020 contract: what happens if you find that your current provider, as often is the case, says “Well, it’s Government, so we want to stick a bit more on”, and there are no alternative providers emerging in the market at the level that you want? What is your ultimate failsafe—your backstop—in case, once you have the commercialised service out there, the costs become too much or become uncontrollable?

John Manzoni: The interesting point is that if you verified, you can still use the service that you verified for, so all those Royal Mail customers can still access their universal credit account, because it is like a bank account. They can go in and use a different— So even if, in the worst case, this fails completely, everybody who is verified can still use that and/or they can access the existing service. That is the worst case—point one.

Point two is that I think there is a 12-month run-on.

Nic Harrison: There is.

John Manzoni: So it is 24 months, not 12, that we have to build this process. That is why I say that it is not a done deal, because of course we have got to lean in and do some work with the market, to help to encourage the market. But we are seeing increasing signs that those existing providers, and others, are investing now in building this market. And I think this is one of the difficulties; we had a failed ID card issue in this country, and this came on the back of that.

Q133 Chair: Sorry—it was a political decision to abandon ID cards.

John Manzoni: Okay—we had a political decision to abandon that. So this came in on the back of that—

Q134 **Chair:** It was an Act of Parliament that undid it.

John Manzoni: My apologies. And now what is happening is that the market for digital identification is catching up with us, and I think this will still be a judgment, and I am not—

Q135 **Chair:** To recap, I think it is fair to say that when ID cards were being implemented, already technology was overtaking the system, and that is perhaps a symptom of some of this. Technology in the real world moves faster than Governments can persuade Departments to take it. Do you agree with that?

John Manzoni: I think that is fair.

Q136 **Gareth Snell:** Two more questions, Chair, and I think I will have exhausted this.

Given that there is now an emerging market of alternative providers, what confidence do you have that Government Departments will not just go to an alternative provider rather than use the Verify system that you have set up, particularly given that Departments like DWP have had a catalogue of complaints about the way Verify has worked for universal credit? How can you be sure that we end up with Government Departments not using competitors to the Government's system?

Kevin Cunningham: We still have the spending controls process as GDS, so if we found that to be the case, and obviously we have commercial controls with the Crown Commercial Service—I think it worked the other way round. I think the Crown Commercial Service will do a good job in negotiating a bulk rate for Government of the most prevalent and successful identity providers.

Q137 **Gareth Snell:** But was that not necessarily the reason why we are in this mess—that when Government decided that here was a service and people should use it, they opted not to use it? So what confidence will you have now that persistent Departments that have not yet used or signed up to Verify to do their particular ID verifications will now use this system, even if the Crown Commercial Service organises a bulk contract for said service?

Nic Harrison: Fundamentally, this is a story about standards. Departments universally recognise the advantage of a standards-based system and interoperability, but it is the volume of the private sector that drives down that standards-based ubiquitous identity. Certainly, Departments that I am aware of that are looking at alternatives to Verify are only looking at them as alternatives as well. In other words, in a mature market for identities that is based on private sector volume, the commodity pricing of that will always be cheaper than something Government can buy for itself. So, a Government Department going to a provider of identity in the open market will pay more than a mass-market solution.

So, this is a bet on the mass market emerging—



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Q138 **Gareth Snell:** Sorry—a bet?

Nic Harrison: We are making the judgment that what we see in the private sector is the emergence of a private sector market for ID. That will become cheaper than anything that Government can build for itself or buy for itself in perpetuity. I believe that it is just a matter of time—

Q139 **Chair:** And that was just as true from 2011 as it is now.

Q140 **Gareth Snell:** That was not really my question, either, Mr Harrison. My question was not about whether, in Government versus private, private would be cheaper; my question was, if I am Government Department X and I need to have a digital verification system and I suddenly have a smorgasbord of private providers, all of which are competing for my business, how can you as the Government Digital Service ensure, be safe, have confidence that Department X will use the service you would like it to use because of the way you have set it up, rather than going to this service over here?

Nic Harrison: I only care about the fact that they are using a service that meets the standard. Ultimately, that is our interest in this and Government's interest in this—ensuring that that standard is ubiquitous and equally applicable. At the moment, we have contracts with a number of providers. In the future, I think—

Q141 **Chair:** What you seem to be saying is that it was over-ambitious at the beginning. The decision of the 2011 Ministerial Public Expenditure Sub-Committee for Efficiency and Reform—it is exciting in Government sometimes, isn't it?—to have an identity assurance strategy really over-reached in trying to be the provider as well as setting the standards. You are nodding, Mr Manzoni, for the record.

John Manzoni: Nic's answer to this question is right. In some senses, provided that the market evolves to meet the standards that we have now created through Verify and the original initiation of this, to some degree that is a good outcome.

Gareth Snell: It is an expensive outcome.

Q142 **Chair:** It was not the outcome that was—

John Manzoni: Mr Cunnington did say that the first objective was to set a set of standards.

Chair: Yes, I know; it is easier to make that the primary objective now that that is what—

Q143 **Gareth Snell:** What conversations are you having now with Government Departments that you believe will in the future need to access a digital verification platform, so that, whether through whatever providers take on Verify or a private provider reaching the gold-plated standards you have set, there is a provider on the market that can meet that service? Again, I am thinking very much about HMRC saying that they did not use Verify because it could not deal with agent or third-party providers. What conversations are you having now to try to shape the market so that



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there is definitely a provider for potential customers in the future?

Kevin Cunnington: I think that question is at two levels. I chair a board within Government called the securing transactions board, which gets together all the major players of identity and talks about identity and other elements of cyber-security on a monthly basis. Element one is that we are actively having this conversation at the top table in Government. Two is that we are actively talking to the IDPs all the time, asking, "What would it take for you to be successful? How can we help you with that? What do we need to do?" We had a roundtable with all the IDPs in the room only last week, which the Minister hosted to show Government support for the strategy. We are actively having both those conversations.

Q144 **Gareth Snell:** My last question is, given that there is now an emergence of this market, and given your aspiration that they will work to the standards that have been determined, what influence, if any, has the existence of this project since 2011 had in stimulating the emergence of that private-sector market? If the answer is, as I think it might be, very little, has this all just been a very expensive process to come out with something that was going to happen anyway?

Chair: Mr Manzoni, I think they are all looking at you.

John Manzoni: They are. We have been in a conversation for some time, but this is intended to stimulate a market; that is what this was all about. The route to that—

Gareth Snell: That is not true, Mr Manzoni.

Q145 **Chair:** It was supposed to be the system that did the verification as well.

John Manzoni: But if you look at the objectives, as Kevin has said, it is about setting standards. The route to—

Q146 **Chair:** Sorry, there were four objectives.

John Manzoni: Yes, there were.

Q147 **Gareth Snell:** There were four, Mr Manzoni.

John Manzoni: A secure platform, setting standards and the other things that he mentioned.

Q148 **Gareth Snell:** The next one was several million users being verified. You cannot expunge that from the record—

Q149 **Chair:** You can just say, "That was a mistake."

John Manzoni: It was too optimistic; I said that right at the very beginning. It was too optimistic, but I think that the fundamental issue was the reliance on mandating Government Departments to build the volume to bring the price down. That was where the issue was, because the incentives were not such. That was the shift we made in 2018.

Q150 **Chair:** So you had this big market in Government, but you could not bring it to the table?



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John Manzoni: We could not bring it to the table, and we went on too long trying to bring it to the table, to be perfectly honest. I have said that. Therefore, where we are now is, if you like, the original objective, which said, "We need a digital identity that could be used in multiple services in Government." That was always in the original conception. That is why we did not shut it down. We have given it, I think, the best strategic chance that it can now have.

I do not dispute anything about the original optimism or any of that stuff. The problem has always been the wrong approach to the volumes. Now we have set it in the best way we can, and that is, in some senses, why I am sorry that we did not intervene earlier, frankly.

I keep saying that the benefits exceed the costs, and in our best judgment, in the Treasury's best judgment, and in our economists' best judgment, we believe that that has been the case all the way through. What we have essentially done is to give Government the best shot at developing that market now, not having wasted taxpayers' money, but having got more benefits than costs. We now have a strategy that at least has a good chance, we believe, of working in the marketplace. That is really where we are today.

Q151 **Gareth Snell:** If I could offer a counter summary, there have been a series of contracts with a price point set much above market value; a series of undefined benefits that cannot be quantified by the National Audit Office; a failure to meet a national series of targets over seven years; five business cases; 20 reviews; and now potentially no contract continuity in 2020 and 380,000 people who may have to re-register at a cost to the Government.

John Manzoni: Two sides of the same coin.

Q152 **Chair:** Both are true; it depends on your perspective. I have a couple of quick questions. Is it a registered trademark?

Kevin Cunningham: I think it is, yes.

Q153 **Chair:** You think it is. Can you clarify that in writing? If it is not, tell us after this. Mr Snell touched on the universal credit claimants. Given the problems that they have had, how are you going to make sure that their interests are guarded after 2020?

Kevin Cunningham: This is a slightly different answer to the question. We have recruited two people on universal credit into GDS to work more closely with us—

Q154 **Chair:** Right, so you are actually working with the customer.

Kevin Cunningham: We always were; we have made a real effort to work closely with the customer. We have a joint plan for getting the 38% to something better as we speak. I think you know that the DWP are also looking at their own alternatives.

Q155 **Chair:** It is quite a challenge. A lot of people who are using those systems



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find it difficult as it is, without having a layer on top. We have heard some quite potent evidence, which you will be able to see, if you have not seen it already, from people who have used the Verify system, including somebody who says that they are very online-savvy but has been tearing their hair out about it. How much did you engage with users in trying to design it so that it was interacting with the end user? I guess it would have been some of your predecessors who did that.

Kevin Cunningham: It has absolutely been ongoing. We continue to do testing even to this day on the user experience.

Q156 **Chair:** I have been through the journey myself, as a mystery shopper—not that I was aware at the time that I was being a mystery shopper. It was very clunky. What have you done? When you pass it over to the private sector, how will you make sure that it improves its interface with the user?

Kevin Cunningham: One of the things that people do not recognise is that the people who are doing the identity verification are the identity providers themselves, which are private companies such as Barclays and the Post Office that are expert in doing it. We work closely with those guys, but that is their expertise. We do continuous user research on the journey—

Q157 **Chair:** Their expertise may be in identity verification, but it is about the clunkiness of the system as you go through—having to find all the various bits of documents, then getting locked out and having to try again. We heard that in evidence. That was a small handful of people, but I suspect that loads of people are not tuning in to write to you about Verify because they probably just suffered it and moved on, or maybe it worked and they moved on. How are you going to make sure that it is actually easy to use?

Kevin Cunningham: We will continue to work with the IDPs—

Chair: Have you got any power over them? I suppose you have already negotiated the contracts.

Kevin Cunningham: No, but they get paid only when they verify someone, so they are highly incentivised to get more people on board. That is the incentive. We work with them very directly.

Q158 **Chair:** We may have to call you back once it has been let off.

John Manzoni: One of the important points is that it is a once-only. At some level, the bar is therefore obviously high. It is not easy—although, as Kevin has said, experience is somewhere between 38% and 96%. I think it varies a bit, on the cohort and all those things you mentioned, but let us remember that the bar is deliberately—. There is no excuse for clunkiness, but—

Q159 **Chair:** That is the assurance standards bit, which is understandable. However, it still has to be easy for the user. For example, you can link your passport and driving licence information and you can do employer verification checks quite straightforwardly. Other identity or other checks



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that take place in Government are quite straightforward, and this is perhaps—

John Manzoni: Not to the same standard.

Q160 **Chair:** Not to the same standard. Nevertheless, lessons can be learned. Can I ask about what happens to those, like Royal Mail, that have stopped being identity providers? How are you ensuring data protection? Presumably it comes under GDPR?

Kevin Cunningham: It does. It is the same as for the previous answer. Both of those providers have written to their customers and said that—

Q161 **Chair:** They have done that. I would be quite surprised if Royal Mail could not get this right. How are you assuring yourself that it has done all that and complied with the law? Do you need to do that?

Kevin Cunningham: No, they would have to be GDPR-compliant as it is.

Q162 **Chair:** So it is down to them, and it is nothing to do with you if something goes missing? Get your excuse in now. I think that is everything that I have, except to ask Mr Manzoni where he sees this in five years' time. What do you see the system looking like?

John Manzoni: I hope we have—. Look, we have work to do.

Q163 **Chair:** Do you think the Government still have work to do on this, now that you are passing it out there?

John Manzoni: Of course. We are not washing our hands of this. As I have said, I think our strategy is the best chance that this has, and I hope it will be successful. In five years' time, I think the market will have developed. I hope that we will have a set of Government standards and that we will also have genuinely transformed our internal services so that citizens can come into multiple Government services with a digital ID, and that that can be a really simple task, as opposed to having to choose between one or another or another, which is where we are today.

Q164 **Chair:** Are you talking to other countries about helping them to develop a similar system?

John Manzoni: Some of them are ahead of us.

Q165 **Chair:** We always use Estonia as the example of being well ahead of everyone, but that is quite small in comparison.

Kevin Cunningham: We are helping Australia and Canada, and as we said earlier, the US is basing its standards on the UK's.

Q166 **Chair:** Are you doing that for free, out of the goodness of—

Kevin Cunningham: Yes, we are.

Q167 **Chair:** Oh, you are? You think that is a good thing. I was wondering whether, with the intellectual property and everything, we shouldn't be getting some dividend back for the taxpayer from our friends in Australia and elsewhere.



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John Manzoni: We should also remember that the independent study indicated that this took about 10 years for those countries. We are not at that stage yet; we are a little behind that.

Chair: I know that there is collaboration on passports between Australia, Canada, the US, New Zealand and us. Maybe that is where that comes from. I will not get into that detail at this point. I will bring in Sir Amyas Morse.

Q168 **Sir Amyas Morse:** What are the chances that we will be out of this and will have given away the intellectual property to the industry for nothing? I use “given” deliberately.

Nic Harrison: I return to the answer I gave earlier, which is that—

Q169 **Sir Amyas Morse:** That is a factor in the discussion, is it? That is a possibility that is being discussed?

Nic Harrison: The point I was making is that we have not—

Q170 **Sir Amyas Morse:** I am asking you whether that possibility is under discussion.

Nic Harrison: I am not aware of it, but I am not directly involved any more.

Chair: Mr Cunningham?

Kevin Cunningham: I may have misunderstood the question, but I thought that Nic answered the question previously by saying that the intellectual property for how to verify someone against the standard is today owned by the IDPs and always has been. We own the standard.

Q171 **Sir Amyas Morse:** Okay. So you will give what intellectual property there is on Verify and the standard to the world?

Kevin Cunningham: Yes, exactly. It has been published as GPG 44 and GPG 45. It has always been out there as an open standard for identity. That is highly useful for us, because at some point we will want to interoperate identities across countries. The Europeans and Americans have acknowledged that our standards have influenced theirs, so we are arguably the world leader in setting standards.

Q172 **Chair:** What if another country or other providers want to use the Verify brand? Would you charge for that?

Kevin Cunningham: We have not had that discussion candidly.

Q173 **Chair:** Will you have that discussion? Is it something that the Government are planning for?

Kevin Cunningham: We could have that discussion with them, yes.

Q174 **Gareth Snell:** But are you going to?

John Manzoni: Maybe as a result of this conversation.

Chair: With intellectual property, we too often see great ideas worked up



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and then arguments, which can be finely balanced on certain issues, around security or whatever. However, a lot of money has gone into this, and it has now been passed over to the private sector. All this bit about its being generated in the market originally—it was all going to be done by the Government. I think we are in danger of rewriting the aims after the event, but we know what has happened and we have all the evidence in front of us.

I thank you very much for your time. We will be watching this issue and we will likely come back to it once this has gone out to the private sector, so Mr Cunnington will almost certainly be back in front of us. You have the opportunity to leave your job before that happens. I joke, but we have had a lot of SROs responsible for this and a lot of people churning. It is a bit disappointing when you all say that it was before your time. We understand that in practical terms, for you as individuals, but you are here to talk for the system. This has been going on since 2011, so we expect you to come briefed on that.

I thank you very much. The uncorrected transcript of the sitting will be up on the website in the next 24 or 48 hours. Our report will come out—well, who can tell, exactly? It is just as with Brexit. However, we expect it to probably be after the Easter recess. I thank you very much indeed for your time.