House of Commons

Public Accounts Committee

# Shared services in the Department for Transport and its agencies

## Fifty–seventh Report of Session 2007–08

*Report, together with formal minutes, oral and written evidence*

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# Summary


The Cabinet Office has estimated that central and local government could save about £1.4 billion annually through greater sharing of corporate services. To achieve these potential savings, Departments need to implement shared services projects effectively and efficiently. There are three ways in which implementation can fail: through delay in introducing planned developments; increased cost; or by providing poorer services. The Department for Transport (the Department) has suffered all three in implementing its shared services project. Yet, despite the extent of mismanagement in this case, no individuals have been dismissed or been properly held to account.

The Department was overly optimistic in planning to introduce shared services within one year and for all its agencies to use the system by April 2008. In practice, the first two agencies did not start using shared services until April 2007 and, to date, only the central Department and two of the Department's seven agencies are using the Shared Service Centre. In an attempt to meet its original timetable, the Department took shortcuts which subsequently caused problems. For example, it did not subject its IT support arrangements to full competitive tender, specify its requirements precisely enough or manage its suppliers sufficiently closely. It also reduced the time available for testing which meant that the system was unstable when it was switched on.

The Department initially estimated that it would cost £55 million to set up the Programme and that the benefits over the first 10 years would be £112 million, yielding a net benefit of £57 million. Current forecasts show that the Programme will cost £121 million, benefits over the first 10 years will be £40 million and the net cost to the Department will be £81 million.

Users of the system have little confidence in its abilities and the Department's performance indicators show a very poor and variable level of performance for the whole of the first year of operations. In some cases the service is worse than that previously provided.

Successful projects are run by experienced project managers, but the Department failed to provide that expertise for its shared services project. The Accounting Officer gave us his personal commitment to turning this project around, pointing to potential savings from adding routine procurement to the Shared Service Centre. The feasibility and costs of doing this have not yet been established and so these benefits remain speculative. The Committee will return to this project to establish what progress has been made in ameliorating the loss to the taxpayer.

On the basis of a report by the Comptroller and Auditor General,[1] we examined the Department's management of the Programme's implementation, the increasing overall cost to the taxpayer, and the poor performance of the shared service system.


1 C&AG's Report, *Shared services in the Department for Transport and its agencies*, HC (Session 2007–2008) 481

# Conclusions and recommendations

1. **The Department's planning and management of this important project have been extremely poor. This case is one of the worst this Committee has seen and responsibility for these serious weaknesses rests firmly with some of its top officials. Regrettably, other cases before the Committee in the recent past have shown similar poor performance by departmental senior management.** To secure proper accountability, the Department must define and communicate clearly the incentives for success and the penalties for failure in projects such as this, including the expectation of the termination of employment contracts and naming those responsible. More widely, the Treasury and the Cabinet Office need to advise departments on the effective handling of new and complex projects, and the management of change.

2. **The Department's plans for implementing Shared Services were too optimistic and were imposed in the full knowledge of the risks, difficulties and slippage. The tight timetable led to the Department taking shortcuts which subsequently caused problems.** In any future work, the Department should subject planned timetables to rigorous challenge from stakeholders and gateway reviews, and obtain formal agreement from all those involved that it is feasible.

3. **Two months after the project started, the Department knew that the initial assumptions were incorrect but did not deviate from its timetable.** At every significant milestone or change of direction, the Department should assess progress and its effect on both the timetable and budget and verify with all those involved that the timetable and budget are still feasible.

4. **To save time the Department used an existing framework agreement for the development of the system, rather than competitive tendering, despite an initial cost estimate of £16 million. This choice contributed to poor specification of its requirements, the piecemeal placement of work and poor management of its suppliers.** The Department has a duty to seek competitive tenders for projects of this size and nature and should not use the absence of competition as an excuse for failing to specify precisely the requirements and placement of work with suppliers.

5. **The Department lacked sufficiently skilled or experienced project management staff.** Senior members of staff with ultimate responsibility for project implementation must have appropriate training and experience in project management.

6. **The Shared Service Centre is not meeting most of its performance targets and it is clear that some of them may not be met for some time.** The Department should set a realistic month-on-month improvement target so that it can monitor the progress of the Shared Service Centre and take action if the improvements are not satisfactory.

7. **Many users do not trust the system due to the problems that they have experienced but the Department considers that some key performance indicators such as those for creating and maintaining customer details are not important.**

To build more trust in the system, the Department should take users' concerns seriously, for example, by improving the performance of the Shared Service Centre in those functions which are customer focused.

8. **The Department's excuses for failing to measure up to the performance of private sector organisations are that it does not have the economies of scale and it has to satisfy government reporting requirements.** There are clear benefits in regularly comparing performance with other organisations. The Department should identify a range of public and private sector bodies with whom to benchmark its performance against key indicators. This monitoring will allow it to identify the scope for driving further efficiencies from its shared service operations.

9. **The Department is confident that adding routine procurement to its Shared Service Centre will deliver substantial benefits but this optimism may be misplaced as the costs and benefits of this new facility have not been established.** The Department must produce robust costings and benefits to provide a sound basis for deciding whether to add routine procurement to its Shared Service Centre.

# 1 Launching and managing the project

1. In April 2005, the Department for Transport (the Department) approved an outline business case to set up an in-house centralised Shared Service Centre in Swansea to provide human resources, payroll and finance support services to its agencies and the central Department.[2] The Department decided on this course before the Cabinet Secretary required Departments to do so because it wanted to achieve savings and thought that it was the appropriate thing to do.[3]

2. The Department consciously set a very demanding timetable for implementing its Shared Services Transformation Programme, with the Driver and Vehicle Licensing Agency and the Driving Standards Agency expected to start using shared services in April 2006 and the whole Department by April 2008.[4] The accelerated timetable was based on the Department's belief that there was no advantage in planning for a longer detailed design and later start, although it recognised that some slippage might be unavoidable. The Department was advised by its consultants that it could achieve initial implementation within one year if it built shared services on existing systems in the Driver and Vehicle Licensing Agency, and used an existing contract with IBM, rather than go out to competitive tender.[5]

3. The Department has accepted that its demanding timetable was at the root of the subsequent problems and that it did not revise its implementation schedule quickly enough when the difficulties became apparent.[6] For example, despite an initial cost estimation of £16 million for delivering the shared services system, to save time the Department did not go out to competitive tender. If the Department had tested the market in this way, it would have had to specify its requirements with more precision. This approach would, in turn, have provided it with a much better understanding of its needs and helped to reduce the subsequent risks.[7]

4. The demanding timetable also resulted in inadequate system testing.[8] The Department reduced the main testing period from the recommended minimum of two months to two weeks to compensate for the slippage in other elements of the project. Reduced testing meant the system was not stable when it was turned on. When the first two agencies, the Driver and Vehicle Licensing Agency and the Driving Standards Agency, began using shared services in April 2007, all further system upgrades and additional remedial testing had to be conducted on the live system because the Department had removed a critical testing environment from its technical requirement in order to save money. The lack of

2 Qq 120, 123

3 Q113; C&AG's Report, paras 1.15, 1.17

4 Qq 7, 87

5 Qq 7, 8, 23, 87–88

6 Qq 7, 23, 54; C&AG's Report, para 1.7

7 Qq 18–19

8 C&AG's Report, Summary para 1

this facility also caused system crashes as some software changes failed when loaded onto the live system.[9]

5. The inadequate system testing and poor definition of governance structures and management responsibilities by the Department are not unique. Similar problems have been experienced on several government projects examined by this Committee in the past. In this case, the Department could not resolve fully the inherent tensions in securing the agreement of seven separate agencies to a single set of processes. In addition, individual agencies were unable to provide appropriately skilled staff with detailed knowledge of their individual business processes to work at the Shared Service Centre in Swansea.[10]

6. Senior officials within the Department and within the Shared Service Programme management team should have identified and resolved these issues, but failed to do so. The Department has taken action against those individuals who had failed to manage this project properly, including the loss of bonus payments. Bonuses should only be awarded for good performance. However, simply taking them away does not constitute an adequate punishment for the particularly poor performance exhibited during this project.[11]

9 Q 58; C&AG's Report, paras 1.19, 1.20

10 Qq 38–38, 47–51, 124

11 Qq 48, 93–97, 100–104

# 2 The costs to the taxpayer

7. The Department originally estimated that the total cost of setting up the Programme would be £55 million, with gross savings (before costs) of £112 million up to March 2015, giving a net benefit to the Department of £57 million.[12] The Department now estimates that the Programme will cost £121 million and produce benefits of £40 million, resulting in a net cost to the taxpayer of £81 million (**Figure 1**).[13]

**Figure 1: Summary of costs and benefits of the project**

| | ORIGINAL PLAN | | CURRENT FORECAST | |
|---|---|---|---|---|
| | April 2005 | | March 2008 | |
| Gross benefits (£m) | | 112.4 | | 40.1 |
| Set-up costs (£m) | 34.7 | | 113.6 | |
| Severance costs (£m) | 20.7 | | 7.6 | |
| **Total Costs (£m)** | | (55.4) | | (121.2) |
| **Overall Net Present Value (£m)** | | **57.0** | | **(81.1)** |

*Source: C&AG's Report, Figure 1*

8. The Accounting Officer agreed that the projected net cost of £81 million was unacceptable and gave his personal commitment to ensuring that the Programme would not result in a net cost to the taxpayer.[14] The Accounting Officer believed that the current projected net cost was overstated as it was based on the £40 million in benefits that the Department had identified with certainty.[15] The Department expects the Programme to deliver further benefits such as an ultimate saving of 309 full time equivalent staff posts. It also intends to expand shared services to include routine procurement, which it is confident would save significant sums.[16] This is speculative, however, as the Department has not determined the precise scale of the benefits of adding routine procurement, the delivery timeframe nor the costs of achieving them.[17] Given the Department's track record in establishing robust benefits, cost estimates and a realistic timetable, we are concerned that the Department may be being overly optimistic in its assessment of the potential benefits.

9. In January 2006, the Department explored various ways of containing cost increases in its Shared Services programme and decided to use its contractors' offshore staff in India, rather than UK-based personnel. It expected this to cost one–third of the original

12 Q 2; C&AG's Report, Summary para 2

13 Qq 2, 61

14 Qq 83, 111, 127

15 Qq 2, 60, 69

16 Qq 69, 111–112

17 C&AG's Report, para 2.28

estimate.[18] In practice, the Department encountered difficulties in obtaining security accreditation for the offshore team and, because of the time pressures involved, some of the work that it had planned to undertake in India was done in the United Kingdom at a higher cost.[19] The Department estimated that the use of offshore staff saved it some £44,000.[20]

10. The Department has, to date, paid Deloitte around £4.6 million for assistance on this project. In April 2004, the Department appointed Deloitte to provide consultancy support to the Department's Support Services Review and subsequently extended this contract to assist it in developing the outline business case and the handover of the shared services design stage to IBM. The value of that contract was some £2 million. Following the appointment of IBM as the Department's main delivery partner, Deloitte has provided quality assurance and other support on the project at a cost to date of around £2.6 million.[21]

11. The Department undertook to subsidise the running costs of the Shared Service Centre in its first years of operation. The subsidy in 2007–08 was around £7 million. The Department expected this figure to reduce to some £3 million in 2008–09. However, due to the delays in the migration to the Shared Service Centre of the Maritime and Coastguard Agency and the Highways Agency, the Department is funding an additional £2 million as there are currently fewer users of the Shared Service Centre than planned and the Centre's running costs are significantly higher than expected.[22] Once the Programme is fully implemented the Department does not expect to subsidise the Centre since it should recover all of its costs from its customers.[23]

12. The Department told us that it had not had to cancel or curtail any of its planned spending on other projects to fund the overspend on this Programme. Through careful management of its annual administration and programme budgets in the years prior to 2007–08 and, in line with HM Treasury's Consolidated Budgeting Guidance, the Department had built up sufficient end-year flexibility within its Departmental Expenditure Limit to fund the majority of cost increases relating to the Shared Services Programme.[24]

18 Q 79

19 Qq 79, 81

20 Q 82; Ev 14

21 Qq 89, 118–119; Ev 14

22 Q 72; C&AG's Report, para 2.14

23 Qq 72–74

24 Qq 76–78; Ev 14

# 3 Performance issues

13. The Department did not produce a performance framework for 2007–08 for the Shared Service Centre until September 2007 and it now collects data on 14 of its 18 key performance indicators.[25] At the time of the Committee hearing, the Department had achieved only four of its 18 key performance indicators, and showed considerable variation in its performance against other indicators. For example, performance achieved against the measure for creating and maintaining customer details within one day was 81% in December 2007, but had fallen to just 1.8% in January 2008, against a target for both months of 95%.[26] The Department attributed this large drop in performance to the rushed implementation of the shared services system, the immaturity of the Shared Service Centre and periods of heavy pressure on its workload.[27]

14. The Driver and Vehicle Licensing Agency and the Driving Standards Agency have a target to pay 98% of undisputed invoices within 30 calendar days. Neither agency achieved that target in the first 13 months of the Shared Service Centre's operations,[28] although, in April 2008, the Driver and Vehicle Licensing Agency paid 96% of its invoices within target.[29] In both agencies, performance remains below the level achieved before they joined shared services.[30]

15. The Department's performance against some key indicators continues to be below that achieved by average private sector comparators. For example, invoice processing costs are nearly seven times the industry average, the cost per payslip processed is double that achieved by average industry comparators and the Shared Service Centre processes around one-half of the transactions for each full time equivalent staff member achieved by the comparator organisations.[31] The Department thought that it was never likely to achieve average private sector performance levels, primarily because the limited size of the Department's workforce, totalling around 18,000 people, meant that it does not have the economies of scale available in the private sector. In addition, Government reporting requirements differ from those in the private sector and make the shared service system's processing arrangements more complex.[32]

16. Both the National Audit Office and the Department found that users of the Shared Service Centre had low confidence in the current system.[33] The Department accepted that it had damaged the standing of shared services by rushing the introduction of the new arrangements. It believed, however, that the experience of other public and private sector

25 C&AG's Report, para 1.39

26 Q 10

27 Qq 10–11

28 C&AG's Report, Figure 5

29 Q 115

30 C&AG's Report, para 1.39

31 C&AG's Report, para 2.16, Figure 7

32 Q 116

33 Q 85; C&AG's Report, paras 1.42, 1.43

organisations that have implemented shared services suggested that the lack of confidence users have in the new system in the first year was par for the course.

17. The Department was encouraged by the experience of the NHS Shared Business Service which reported that user satisfaction levels had increased as staff became more familiar with shared services. In that example, the proportion of users who felt that the new arrangements were better than those that existed previously increased from 25% initially to 83% after two years.[34] We are concerned, however, that current levels of performance and some of the problems users have experienced, such as poor service levels and the quality of training received, indicate that this is not just a matter of users increasing their confidence of the system. We are also concerned that the Department is not taking users' concerns seriously. For example, it told us that it does not consider some performance indicators, such as those relating to creating and maintaining customer details, as important. This is despite the fact that the accuracy of these details is important to those using the system and in building their trust.[35]

34 Qq 86, 113

35 Q 115; C&AG's Report, para 1.42, Figure 5

# Formal Minutes

## Monday 17 November 2008

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr David Curry
Mr Nigel Griffiths
Keith Hill

Draft Report (*Shared services in the Department for Transport and its agencies*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 17 read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Fifty-seventh Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 19 November at 3.30 pm

# Witnesses


**Monday 9 June 2008** *Page*

**Robert Devereux**, Permanent Secretary and **Barbara Moorhouse**, Director General, Corporate Resources Group, Department for Transport Ev 1


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| Twenty-fifth Report | The cancellation of Bicester Accommodation Centre | HC 316 (Cm 7453) |
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# Oral evidence

## Taken before the Committee of Public Accounts

## on Monday 9 June 2008

Members present:

Mr Edward Leigh, in the Chair

| | |
|---|---|
| Mr Richard Bacon | Geraldine Smith |
| Mr Ian Davidson | Mr Don Touhig |
| Mr Austin Mitchell | Mr Alan Williams |

**Mr Tim Burr,** Comptroller and Auditor General and **Ms Geraldine Barker**, Director, National Audit Office, gave evidence.

**Mr Marius Gallaher,** Alternate Treasury Officer of Accounts, HM Treasury, gave evidence.

**REPORT BY THE COMPTROLLER AND AUDITOR GENERAL**

**SHARED SERVICES IN THE DEPARTMENT FOR TRANSPORT**

**AND ITS AGENCIES**

*Witnesses:* **Mr Robert Devereux,** Permanent Secretary and **Miss Barbara Moorhouse,** Director General, Corporate Resources Group, Department for Transport, gave evidence.

**Q1 Chairman:** Good afternoon. Welcome to the Committee of Public Accounts where today we are considering the Comptroller and Auditor General's Report *Shared services in the Department for Transport and its agencies*. We welcome Robert Devereux who is the Permanent Secretary of the Department for Transport. Would you like to introduce your colleague please, Mr Devereux?
***Mr Devereux:*** Certainly. I have brought with me Barbara Moorhouse who is my Director General of Corporate Resources.

**Q2 Chairman:** This was not a very happy story was it, Mr Devereux? It was supposed to cost £55 million and save £57 million; in fact it has a net cost of £81 million. If you look at figure one you will see it set out that it was supposed to cost £55 million, as I have said, and it ended up costing £121 million. It was going to save £112 million. What went wrong?
***Mr Devereux:*** I think I would like to clock that this Report is basically a work in progress as far as I can see. What the National Audit Office are assessing—particularly in the benefit line as they made clear—is the value of the savings that we have absolutely identified and can bank right now. I have not come today to suggest that that is the position the project should remain in. In the second part of the Report, the National Audit Office have pointed to the various things that my colleagues and I are doing to secure better savings. So there is a conversation to be had about how we got to be where we are today; but I do not regard it as the end of the story and, therefore, to say that this is the final forecast is not right.

**Q3 Chairman:** It is quite a recent Report, it is quite up-to-date, is it not? It is a snapshot of what is going on at the moment.
***Mr Devereux:*** It is a snapshot that is based on—

**Q4 Chairman:** This money has been spent; it is not going to be recovered, is it?
***Mr Devereux:*** Not all this money has yet been spent, but most of it has. The reason we need to be careful of the overall net present value assumption of an £80 million cost to the tax payer is that that is before some assumptions that we are developing now around what savings we might make.

**Q5 Chairman:** It has caused a lot of trouble.
***Mr Devereux:*** Yes, it has.

**Q6 Chairman:** I do not want to make a lot about this point—the press did make a lot of it of course—we can see on page 43, this was really one of these minor glitches when staff tried to access these computers and the computers replied to them in German and that sort of thing. It is enough to make you weep, is it not?
***Mr Devereux:*** Yes, it is.

**Q7 Chairman:** Let us try to get to the bottom of this. Although the press had a field day with this, we are trying to learn lessons for good government so it does not happen again. Let us look at paragraph 1.7. What comes out of this is that you were clearly in a bit of a hurry to implement these shared services and I wonder this was the root cause of your problems and whether, if we are going to do this sort of thing again, we are not going to be too demanding of the staff we employ and imagine that we can bully them into making something work.
***Mr Devereux:*** I think that is absolutely the key lesson I take out of this. We spent quite a bit of time in the course of 2004 looking carefully into what we thought was possible by way of delivering savings in

our shared services. By the time we got to the outline business case, which is referred to in paragraph 1.7, there was a very deliberate decision on the part of the Board and my predecessor that—if you are going to embark on some changes of this variety—you positively do not want to allow too much time for the institution to get into inertia about the whole project. As the paragraph records, the programme deliberately put a challenging timeframe down in order to drive the businesses to get to the right answer against an assumption otherwise that work would fill the time available. There is a quote which I brought with me from the Board paper which says, "We do not believe there is any advantage in planning for a longer detailed design and later first migration although we recognise that some slippage may turn out to be unavoidable". Essentially what that is saying is that we set off on an aggressive timetable by design, quite deliberately as the Report explains in the Department's approach in paragraph 1.4. The safety valve for that was intended to be potential slippage in migration in due course.

**Q8 Chairman:** Sorry, what did you say just then?
***Mr Devereux:*** The quid pro quo for an aggressive timetable was the recognition from the outset that go live might have to slip to the right if that turned out to be necessary.

**Q9 Chairman:** If we read paragraph 1.12 we can see within two months you knew your assumptions were wrong. Let us look at paragraph 1.25, it seems that you recognised what were the principal risks but having recognised what were the principal risks you then ignored them.
***Mr Devereux:*** I do not think we ignored them. If we go back to 1.12 for example, to the particular version of SAP that we bought, as you will see from the footnote, the version that was actually being used at DVLA at the time was going to time-expire at the end of 2006. There was a choice to be made. The Programme Board went into some detail to work out whether or not simply to upgrade with an ordinary version of SAP was a sensible thing to do, or whether it would be better to take advantage of the so-called SAP enterprise resource planning system. That is still the best practice choice to make; it is the thing that gives you scope for further development over time rather than tying yourself to a system which was manifestly going to be out of date quickly.

**Q10 Chairman:** There are various things I do not understand about this. If we look at figure five, for instance, "Shared Service Centre Key Performance Data", I understand the NAO have drawn this up in this way and you had not done this. If you look down there, for instance, there is one job description: "Create and maintain customer details". According to this, this is extraordinary. As opposed to this 95% within one working day, in December 2007 they were achieving 81%; if you look at the next line to January 2008 they were achieving 1.8%. Did they all go to the Christmas party at the Department for Transport or something? What went wrong? How can you be achieving 81% in December and 1.8% in January? Look at the line below: 100% within two working days. For some reason you achieve 100% and get the green "Pass" in December 2007 and it is down to 56% in January. What is going on? It does not look like a department that actually knows what it is doing.
***Mr Devereux:*** These are all the performance indicators for the Shared Service Centre itself situated down in Swansea. As you can tell from the extraordinarily low numbers at the start of the year we created this system in a rush, which is very clear from the National Audit Office Report.

**Q11 Chairman:** You would expect to start with fairly low numbers and you gradually get better and better. What I cannot understand is how you achieve 81% of a particular job in December and by January, a month later, it is down to 1.8%. What is going on?
***Miss Moorhouse:*** I think it might be helpful if I put the performance of the Shared Service Centre into some context. There are many aspects to the history of this programme which no doubt will get teased out in the next hour and a half. I think the issue that I would like to draw the Committee's attention to at this stage is that the Shared Service Centre itself was set up in a very rapid way right at the end of 2006/early 2007. Therefore when it went live in April 2007 with the first two departments coming on, this was a Department which the word "immature" might still be generous. It was very much struggling to get its act together; there was a degree of the blind leading the blind in the sense that here were a group of people who were trying very hard to work systems that were new to the Department and to guide and support relatively inexperienced customers through a new technology implementation. I think a lot of the variability in the figures is simply because at various times there has been enormous pressure on the Shared Service Centre which indeed lacked management when it was first set up. Therefore to some degree these figures reflect an organisation finding its feet. I think the trend over this period of time is actually very commendable in terms of the human level of performance of the Shared Service Centre although, as we will no doubt come on to, there are many structural questions about the scale and the performance and the way in which that Shared Service Centre can be optimised within DfT.

**Q12 Chairman:** Given the difficulties that we can see outlined in this figure here, are we ever going to get these remaining agencies joining up?
***Mr Devereux:*** Yes, on the plan we have currently published. We started the central Department in April this year as planned.

**Q13 Chairman:** Why have you dropped the migration of the Maritime and Coastguard Agency then? I am looking at paragraph 2.8.
***Mr Devereux:*** I have not dropped it; it is going to happen in October.

**Q14 Chairman:** Did you not change your plans on that as well?
***Mr Devereux:*** Yes.

**Q15 Chairman:** There was a last minute decision to drop it.
*Mr Devereux:* No, it was not a last minute decision.

**Q16 Chairman:** Yes, it was moved from April to October, presumably because everything was going wrong.
*Mr Devereux:* No.
*Miss Moorhouse:* It was not a last minute decision. I took over as SRO arriving in the Department for Transport in August. At that stage it was very clear that a programme that was recognised by the OGC Gateway Review as "struggling to catch up and just about delivering in time" (I think that is a quote from the OGC Report) would be quite challenged against the immaturity of the Shared Service Centre that we have just discussed to handle two more go lives in April 2008. From the moment I arrived I had detailed discussions with both the chief executive of the Maritime and Coastguard Agency, the Shared Service director and other members of the team to determine whether or not it was the right decision to continue with April or to defer. We eventually decided to defer, notwithstanding all of the efforts the Maritime and Coastguard Agency had put in to preparations—which was extremely commendable—because we felt that the Shared Service Centre was too immature to handle two more customers hitting it, effectively, at the same time in April.

**Q17 Chairman:** "Immature" is certainly an understatement.
*Miss Moorhouse:* Yes, it was an understatement.
**Chairman:** I think I will have to stop you there and let other members get in. Austin Mitchell?

**Q18 Mr Mitchell:** I was feeling sympathetic under the assumption that you were pushed into the Gershon efficiency savings but in fact it seems from the Report that you actually rushed into it with an amazing enthusiasm. The Cabinet Secretary's letter was sent on 27 March 2007 but you have taken the initiative on this two years earlier. Why were you rushing in?
*Mr Devereux:* We did it because we thought it was the right thing to do and we were ahead of Whitehall in doing so. It was a very conscious decision.

**Q19 Mr Mitchell:** You wanted to show off.
*Mr Devereux:* No, we actually wanted the savings. The work dates back to the 2004 spending review and the work that Peter Gershon did. The fact that it became de rigueur, and we had a letter from the Cabinet Secretary in 2007, is another fact. We actually took this, seized it and ran with it. It was known to the Cabinet Office to be a pathfinder attempt to do this, and we deliberately did it because we thought it was the right thing to do. I still think it is the right thing to do; this project will turn round.

**Q20 Mr Mitchell:** So you wanted the savings to achieve Gershon's targets and you therefore overestimated.
*Mr Devereux:* We certainly anticipated making savings from this towards our Gershon target.

**Q21 Mr Mitchell:** Was it plucked out of the air?
*Mr Devereux:* No, we spent six months working carefully in a support services review and then had further work done by Deloittes to validate the savings. The extent of the potential savings were not plucked out of the air. Let us just stay with the overall story on Gershon because it is quite important in terms of where the department is coming from. The first paragraph of this Report explains that we were set a target of £785 million to be saved in 2007/08, half of which was to be saved in cash. That is £390 million of cash savings were required out of the Department. We published our annual report just a couple of weeks back. We have actually managed to achieve £640 million of cash savings.

**Q22 Mr Mitchell:** The estimates must have been too high. I see in paragraph 1.8 that "the Department delivered a design blueprint but could not agree a common set of underpinning business processes, and the resulting level of customisation of different processes for individual agencies—some of which was necessary for the operation of shared services—increased cost and complexity".
*Mr Devereux:* I am not sure I am following the argument. When we started this, on the basis of quite careful work to do with benchmarking across the private sector in particular and benchmarking within the department, we sought to assess the level of achievable savings. That is where the £20 million comes from. It is true to say later on, as we went through this, that we have difficulties in delivering it, which is what the National Audit Office is recording, but the savings themselves were not plucked out of the air.

**Q23 Mr Mitchell:** You were predicting savings and then being sloppy about the planning of them. Why did you not have a competitive bid for it? Why was the work entrusted to IBM? Were you mates? Was there some kind of feeling of friendship for IBM? Admiration?
*Mr Devereux:* No. Let me come back to the point the Chairman has already identified. We deliberately set off on this with an ambitious timetable. It was our assessment that three things were true, one was that we were intending to build this on the systems which DVLA had already started on and they themselves were being supported by IBM; secondly, because we wanted to get on with it and we were being advised it was possible to do this in the space of a year, not in the space of two years. The fact that we already had a contract—which had been won in competition by IBM, let us be clear—and had the flexibility to do this, suggested to us that actually the alignment between business processes which had already been defined in the DVLA, and a contract and a contractor which had perfectly properly the ability to do this work, meant that we were able to deliver the one year target we originally set ourselves.

**Q24 Mr Mitchell:** You also thought you could trust them and you were wrong.
***Mr Devereux:*** I do not believe in trusting suppliers.

**Q25 Mr Mitchell:** They did not tell you you could have got more competitive rates and that you were eligible for them because of the increased volume of work.
***Mr Devereux:*** I perfectly understand, and so does DVLA, the structure of this fairly complicated contract. It provides for the DVLA on 12 months' notice to get the best available rates.

**Q26 Mr Mitchell:** So it is all the fault of the DVLA.
***Mr Devereux:*** No. I am just describing the contract. The contract describes that if the DVLA or the Department—call it the Department if you wish—gives IBM 12 months' notice we get the best rates, unsurprisingly, because they have time to plan.

**Q27 Mr Mitchell:** Paragraph 1.8 tells us that the "Driver and Vehicle Licensing Agency and the Driving Standards Agency were themselves insufficiently prepared for implementation".
***Mr Devereux:*** Yes.

**Q28 Mr Mitchell:** Yet you are trusting them to get the best rates.
***Mr Devereux:*** There are two separate sections of the Report. There is one about the merit or otherwise of choosing the IBM contract which, as I said, was because of the timetable that we chose to go with and the fact that the contract enabled it. I have explained why the rates were not as low as they might have been because we deliberately chose not to give 12 months' notice as we intended to finish this in 12 months, therefore we were using higher rates. The second point that you are making about the extent to which the DVLA and DSA were not prepared. If you read it, it is about their actual internal preparations: did their staff understand how the system would work and about the organisation, it was not about the IBM contract.

**Q29 Mr Mitchell:** You are answering very fast; it is all a bit glib to me.
***Mr Devereux:*** You are asking a lot of questions and I am trying to answer each of them.

**Q30 Mr Mitchell:** Paragraph 1.16 tells us that, "the Department's use of the framework agreement to commission work and manage IBM were not conducive to controlling costs. For example, the Department did not take advantage of cheaper day rates that were available under the framework agreement for bulk work due to the piecemeal way in which the work was commissioned." Did you have indication about this from IBM, that you could have got it cheaper?
***Mr Devereux:*** As I have sought to explain, this sentence is basically saying: had we given them 12 months' notice we would have got lower rates. It is not saying that the way we went out to contract it we somehow ended up with higher rates than we should have got for something done at that notice. There is a distinction here between the extent of notice, which I am recognising we did not give for the reasons I have already given the Chairman (about the ambition that was behind this Department trying to get on ahead of Whitehall to deliver this properly), and the reality and the structure of the contract.

**Q31 Mr Mitchell:** The whole thing was based on the DVLA and it seems apparent from the Report that they themselves were not ready, they were not prepared. Paragraph 1.28 tells us that and paragraph 1.4 tells us that a "supporting IT system should be built on the existing processes and systems at the Driver and Vehicle Licensing Agency and the Driving Standards Agency, but take account of the needs of the wider Department". It seems to me the concentration of work and the central focus being on the DVLA actually got you into somewhat of a mess.
***Mr Devereux:*** Perhaps I can take you to paragraph 1.12. That describes in some detail exactly what was at DVLA pre-existing this decision and what was not. It basically says that the DVLA and the DSA used an older version of SAP to provide finance, some basic human resources (by which they mean an internal database of staff) and some procurement functions. That is a lot less than we have now delivered in the Shared Service Centre. To give an example, there is no employee self-service in that pre-existing DVLA world; there is no way of accessing that pre-existing DVLA world. It is correct to say that we built on them because they had already implemented a SAP system; it was already capable of doing the right thing in terms of the way in which you use invoices, but it was only part of what we were trying to get to.

**Q32 Mr Mitchell:** Paragraph 1.12 tells us, "The newer generation SAP Enterprise Resource Planning system could be achieved either by upgrading the old SAP system or replacing the latter with the newer version, and the Programme Board elected to adopt the latter option. Best practice would have been to review the business case at this stage to assess the impact of this change". Why was that not done?
***Mr Devereux:*** The short answer to that was that the absolute difference in costs between a licence for the new system and the old system is quite small. As the Report goes on to say, some of the things which, having got the new system, were then possible which may themselves have added to cost is a separate issue and would not have come up at that point. When it says "elected to adopt" it makes it sound as if they did this on a whim. There is a very substantial piece of analysis that the Programme Board did to decide which of these two courses was the best one to go for, and that is the one they based their decision on.

**Q33 Mr Mitchell:** Since that was signed off in January 2006 it must have been clear by then that some of the economies you had expected from the original were not going to occur and the costs were going to be increased.

***Mr Devereux:*** What is going on in January 2006 is the Board re-visiting what they decided in April 2005. The April 2005 decision is, by definition, an outline business case; it is before any detailed design. By the time you get to January 2006 we know the answer on the design, we know that we have chosen SAP Enterprise Resource Planning system. At that point we still have a project which is projected to have a £37 million present value.

**Q34 Mr Mitchell:** What is the situation now? Have you become addicted to IBM? You are dependent on their consultants and their consultants will be withdrawn, and yet they are a substantial proportion of the teams developing the system. What happens? Can you work without them?
***Mr Devereux:*** IBM are significant suppliers.

**Q35 Mr Mitchell:** IBM are a profit making company.
***Mr Devereux:*** Yes, I know. I do not imagine you would like me to be running a computer company, so we actually buy in people on the basis of a contract which they have tendered for. They have delivered, through the DVLA, for example the ability to do your tax on line, connecting it up with the MoT test; they have delivered the ability for the police and the courts to directly access the driver licence database; they have delivered the ability to make the transactions at the post office more secure. All of these improvements in customer service which the DVLA are offering their customers are based on the work they have been doing with IBM. This is a long term project and that is where it comes from.

**Q36 Mr Mitchell:** I think you are too trusting of them.
***Mr Devereux:*** I am not going to accept that I am too trusting of them. The Report correctly identifies that we are approaching a point where we have a choice about whether to exercise a break in this contract. The Board of the Department had a long conversation ten days ago about exactly what was already on the table in terms of improving the offer. I have offers on the table both in terms of the rates for this contract and for the way in which they deal with phase six, on which Barbara wants to say more.

**Q37 Mr Mitchell:** This system, the common services, applies to six, later increased to seven, executive agencies. I wondered from a point of view of Government re-organisation—which periodically come along when agencies are transferred from one department to another with the whole packaged shuffled round—how are they tied in now? This diminishes the flexibility of the system because taking common services they are all tied in to you whereas a future government might want to shove them to another department.
***Mr Devereux:*** Doing nothing because there may be government change is not an acceptable option either. The reality is that the hardest thing in this shared service has been to get each of the agencies to understand and define the business processes they operate. Having so defined them they will be so much better able to move almost anywhere else. The hardest thing in this is actually getting those definitions done in the first place which is what they have now done.

**Q38 Mr Bacon:** Mr Devereux, there is nothing odd, strange or difficult to predict that there will be an issue about defining business processes accurately, is there?
***Mr Devereux:*** I do not think so.

**Q39 Mr Bacon:** It is pretty normal in taking an organisation and trying to introduce a computer system to it; it is a standard thing, defining business processes accurately before you make any further progress. I do not deny that it can be quite difficult to do it accurately, as you have just said, but the fact that you have to do it and you have to get it right is predictable.
***Mr Devereux:*** It is, yes.

**Q40 Mr Bacon:** I have just been reading Lou Gerstner's biography; he was the chap who turned round IBM. I would just like to ask each of you a question. Mrs Moorhouse, you are a graduate of Cambridge.
***Miss Moorhouse:*** Oxford.

**Q41 Mr Bacon:** I am sorry; I can see how you could be offended by that. You were at Oxford where you read PPE and then you were in the private sector for ten years. If I may say so, you have a reasonably smart looking CV. What degree did you take? What honours degree did you take?
***Miss Moorhouse:*** Politics, philosophy and economics.

**Q42 Mr Bacon:** What class of degree?
***Miss Moorhouse:*** Upper second.

**Q43 Mr Bacon:** Mr Devereux, you were reading maths at St John's College, Oxford. What class of degree did you get?
***Mr Devereux:*** I got a second in the days before they divided them.

**Q44 Mr Bacon:** I am sorry about that! What Lou Gerstner says in his book right at the beginning when he takes over IBM and tries to figure out what is wrong with it that IBM, just like the Civil Service, has a very large concentration of very talented people who are highly educated. He says, "I began to puzzle over how such intelligent people could arrive at such a morass". What I want to know is how is it that such intelligent people as yourselves arrive at such a morass.
***Mr Devereux:*** I think in order to answer that you are inviting me to conclude that I am in a morass. I have told the Chair already that the situation we find ourselves in, in this snapshot, is not acceptable. We will turn this round. How did we get here? The NAO has written down at some length the four or five contributory factors which actually all connect with each other as you can see: the time, the pressure, the need to actually get on and define business processes

(which you acknowledge are difficult to do). If you put all of those things together it comes to a difficult position. Was it the failure of intelligence to even perceive this? We took advice from some serious people. We did not embark on this on a "Let's just do shared services"; we have done quite a bit of work on it. The whole reason for having an outline business case followed by an interim business case once you have got a design is to enable you to note some of these things. We went through it in stages. It is the case, as the record shows, that in that critical period from about April 2006 to August 2006—post the design and post the letting of contracts to suppliers who we must assumed believed they could deliver this thing for August 2006—a lot of things came out which actually meant that it was not possible to do it in that time.

**Q45 Mr Bacon:** You remind me exactly of what Helen Ghosh said to us not so long ago about the Rural Payments Agency: "We advised ministers it was possible when in fact it was impossible".
***Mr Devereux:*** I did not advise ministers.

**Q46 Mr Bacon:** I did not say that you did, but you just reminded me of what you said.
***Mr Devereux:*** Well, I am sorry.

**Q47 Mr Bacon:** The thing that strikes me is that the problems that you have encountered are in some respects absolutely classic: the failure to test adequately. This is not new; we had that in tax credits; we had that over the Criminal Records Bureau; we had that over the Passport Agency. There was the failure to have somebody clearly in charge. When I was first on this Committee seven years ago we looked at the National Probation Service and the implementation system strategy; it had seven managers in seven years. The NHS IT systems had six bosses in five years. The Bowman Radio Communication System had nobody in charge. It says here quite clearly at paragraph 1.22 on page 16: "Neither the Programme Board nor the Driver and Vehicle Licensing Agency initially appointed any one individual in Swansea to coordinate the overall design of, and activities across, the five teams, or delegate sufficient authority to the teams to act without continual reference to the centre. Consequently, progress reporting to the Programme Board in the central Department was often confused and contradictory." Higher up it says, "The division of responsibility . . . weakened reporting and accountability and slowed communications. . . . Contractors working on the Programme told us that it was often difficult to resolve issues as they received inadequate or insufficient guidance." Surely getting these questions resolved early on of who is in charge, who is responsible and how the Programme management is actually going to operate is essential to making adequate progress. Why was that not done?
***Mr Devereux:*** You will understand that I have spent quite a long time preparing for this hearing to try and make sure I understand that story. Let me just observe the following: because this was going to be a departmental exercise which necessarily required all the different seven business units you describe to subscribe to a single set of processes and yet it was being built by the DVLA and its contractor without trying to make it entirely a DVLA takeover, there is a sort of inherent tension in there which I fear was never adequately resolved.

**Q48 Mr Bacon:** It was the responsibility of the people at the top running the show to identify those tensions and to resolve them so that the poor contractors at the bottom are not running around in seven different directions at once.
***Mr Devereux:*** I agree.

**Q49 Mr Bacon:** It was not done, was it?
***Mr Devereux:*** We have to look at this in three pieces. There was a period in 2005/06—virtually the whole of that financial year—during which the Department was engaged in the design process. At that stage, very clearly, the central department was coordinating, because, for the reasons I have given you, we wanted to make sure this was going to turn up with a system at the end of the day which each of the agencies would buy into. That is quite different by the time you get to April 2006 by which time we have appointed a director of Shared Service Centre in Swansea. That individual has themselves signed contracts with IBM which are warranted to deliver the system that we have now designed by a roll out date of 31 August 2006. There is one story going on in respect of the design period, 2005/06; there is another one going on in respect of April to August 2006.

**Q50 Mr Bacon:** If IBM are going to fulfil their obligations or what it says it is going to do, you have to fulfil what you say you are going to do. Paragraph 1.16 at page 13 it says clearly: "Early fixed price agreements with IBM" (which would have saved you money presumably) "had not been successful as the Department had not fulfilled its obligations in terms of making appropriately skilled staff available or making design specifications sufficiently clear". There is no point entering into an agreement with IBM if, when it comes down to it, you cannot make available the appropriately skilled staff. Surely if you enter into the agreement you should make sure you are able to make the appropriate skilled staff available or you do not do it.
***Mr Devereux:*** Correct.

**Q51 Mr Bacon:** But you did not.
***Mr Devereux:*** What we did was recognise that that commitment was required. It was clear to the chief executives in each of the agencies that we needed staff to be deployed in Swansea from their businesses with detailed knowledge of their own processes and preferably with detailed knowledge of the SAP system. The reality was that those staff were not delivered.

**Q52 Mr Bacon:** I would just like to go back to something you said to the Chairman. You talked about the timetable being aggressive by design. It

was a wonderful piece of euphemism actually. You said it was aggressive by design but the safety valve for this was intended to be slippage in migration. That sounds very much like, "We decided to do it fast and if it did not work we would do it slow". That is basically what you are saying.
***Mr Devereux:*** You can parody it in that way.

**Q53 Mr Bacon:** I am actually trying to translate it into English that all of us can understand.
***Mr Devereux:*** I did not say with the intention of.

**Q54 Mr Bacon:** Neither did I; I said, "And if it does not work we would do it slow".
***Mr Devereux:*** No, you said "intended" I think. We could have set off to design and do this in two years; that was a choice open to us in 2005. That is effectively what we have done, we delivered this in April 2007, we started in April 2005. We chose not to do that. We chose to intend to try to get this delivered in April 2006 in a one year timeframe. If you were to say to me, "Surely that was madness, why did you set such an aggressive timetable; you must have had a plan B up your sleeve", the recognition was that if we did deliver this in 18 months that would still be a good outcome. The question is: do you think that if you give an organisation—and certainly seven organisations—more time, is that time well spent? The judgment the Board was taking, quite deliberately was "No, let's put some pressure on this organisation; let's make sure that we try to get this through".

**Q55 Mr Bacon:** Surely to goodness, Mr Devereux, whether the time is well spent or poorly spent depends on how it is managed from the top.
***Mr Devereux:*** That is correct.

**Q56 Mr Bacon:** I would just like to ask you about the testing. In paragraph 1.19 it says, "To limit cost increases, in November 2006 the Programme Board removed some technical elements of the Programme, including the full pre-production environment." That is a wonderful way of putting it, but imagine if you were developing a motor car and your bosses said to you, "Mr Devereux, I know you are developing a motor car but in order to save on cost increases we want you to remove the full pre-production environment". When finally the car hit the showrooms would you want to buy it or get into it or drive it, when you knew the pre-production environment to this car had been removed?
***Mr Devereux:*** If you are understanding by "pre-production environment" something that was on the critical path to the first of April you are misunderstanding what that is.

**Q57 Mr Bacon:** It means adequate testing, does it not?
***Mr Devereux:*** No, it does not; that is what I am trying to describe. This piece of the software system is basically there to replicate the built system in order that subsequent releases could be safely tested off the live system. Since in this period we are actually talking about getting to the start of the first live system, it is strictly not on the critical path.

**Q58 Mr Bacon:** It says further down in that paragraph that they were actually in practice tested on the live system: "When the first two agencies began using shared services in April 2007, all further system upgrades and remedial testing were conducted on the live system".
***Mr Devereux:*** That is what I have just said. The result of not having the pre-production environment was that subsequent releases were tested on the live system.

**Q59 Mr Bacon:** What I meant was inadequate testing of the thing before you go live. That is all I was trying to say.
***Mr Devereux:*** I am making a distinction in that going live for DVLA and the DSA on the first of April 2006 did not strictly require the pre-production environment in the way you have just described. It is required absolutely for the safe testing of subsequent releases. What the Report is saying is that actually in the first instance, that environment not being available, that safe testing environment did not exist. That is why we subsequently put it back in again.
**Chairman:** I am sorry, I cannot delay your migration any more Mr Bacon, your time is up.

**Q60 Mr Davidson:** Can I just seek some basic information about this? Could I turn to chart one in the front of the Report and I want to be clear whether or not I am understanding this correctly. From the outline business case to the forecast costs, in terms of gross benefits am I right in thinking that gross benefits have actually gone down from £112 million expected to £40 million, so that is 35% of the target. The set up costs have gone up by 300% from roughly £35 million to £114 million. Am I reading that correctly?
***Mr Devereux:*** I fear you are with the single exception, as I have said to the Chair when we first began, the £40 million is the number which we can point to: individuals whose posts are being saved.

**Q61 Mr Davidson:** I think a figure we can point to is always helpful. You originally estimated that it was going to save us £57 million but it has actually cost us £81 million.
***Mr Devereux:*** It would cost us £81 million if we did nothing between now and 2015.

**Q62 Mr Davidson:** On the basis of proceeding with what you have at the moment, unless you make subsequent changes something that that was planned to save us £57 million will actually cost us £81 million.
***Mr Devereux:*** Unless we do the things we have planned to do, that is correct.

**Q63 Mr Davidson:** I understand there are subsequent changes. Once you have realised you are in a hole you possibly stop digging and start digging

another hole. Were you to remain on the track that you were it would have gone from a £57 million saving to an £81 million cost. You were not there at the time, but we have made such a mess of this I presume your predecessor has been promoted.
***Mr Devereux:*** My predecessor retired a year ago.

**Q64 Mr Davidson:** Is he in the House of Lords, by any chance?
***Mr Devereux:*** Not last time I looked.

**Q65 Mr Davidson:** That is usually what happens in these sorts of circumstances. Can I just clarify the figures on table ten on page 29? Am I right in thinking that the bottom line here is telling us that the net figure is actually going to cost us £81 million by 2015?
***Mr Devereux:*** That table there simply shows year by year the table that you started on, table one.

**Q66 Mr Davidson:** So as time goes on things get worse and then they get slightly less bad than they were before. We end up having undertaken an enormous exercise with a net result that it has cost us a lot of money.
***Mr Devereux:*** Perhaps I could take you to page 47.

**Q67 Mr Davidson:** Is that the gist of it?
***Mr Devereux:*** That would be the case if I did nothing.

**Q68 Mr Davidson:** I understand that; I understand that you are there trying to rescue us from the mess that other people got us into. I am seeking to clarify about the mess that we are presently in.
***Mr Devereux:*** The reason I stress this is because it sounds as if there is actually an agreed plan to deliver us minus 80.

**Q69 Mr Davidson:** There is no agreed plan?
***Mr Devereux:*** Okay, let us take it slowly then. What the National Audit Office say is that they have taken what happens to be a projection of the benefits available; it is not a benefit projection actually sanctioned by the Programme Board. As the Report quite carefully says, the senior management in the Department are still anticipating that we will deliver 309 heads. Those numbers have been calculated on the basis of 215 heads. The 215 are the ones we can point to.

**Q70 Mr Davidson:** If we leave it with the people who have got us into the position that we are in at the moment that is where we will end up, unless changes are made. I understand that; things can only get better. Can I turn to paragraph 2.14? Am I reading this correctly that the Shared Service Centre has worked out so badly that the Department is having to subsidise its running costs? Is that correct?
***Mr Devereux:*** That is not a surprise at this stage in the evolution.

**Q71 Mr Davidson:** So this was part of a cunning plan.
***Mr Devereux:*** You have to construct a shared service centre in order to get started on a programme like this. To begin with you only have two customers, DVLA and DSA. In due course we shall have seven. That means that you have a choice, you either charge the first two customers through the door the full cost of operating the shared services or you charge them the sum of money which is consistent with the long term charge.

**Q72 Mr Davidson:** I see here that due to delays in migration the central Department has funded an additional £2 million as a Programme cost (this is at the bottom of paragraph 2.14). Can you just clarify how much the central Department will be paying as a subsidy and how much it originally planned to pay?
***Miss Moorhouse:*** The original assumption was that the Shared Service Centre costs would all be charged out to the various agencies and customers; that is exactly what you would expect from a normal shared service centre operation once it is in full swing and has gone through the implementation phase. The situation that we face is that the charges that were agreed with the customers who were going to come onto our Shared Service Centre were set historically based on their volumes. We have honoured those original agreements as to how much those customers would pay so there are two challenges that face our Shared Service Centre, the first is the sheer number of users is going to be slightly lower because we are not at this stage committed for all the user functions transferring to the Shared Service Centre; that is set out in the Report. Secondly, the major challenge to our Shared Service Centre, that we are working on very actively, is that our IT costs to run that Shared Service Centre are significantly higher than expected for a variety of reasons. That is where the main difference is in the assumptions as between the original business case and the figures as you see them today.

**Q73 Mr Davidson:** Can I just clarify how much at the moment you are subsidising the Shared Service Centre by?
***Miss Moorhouse:*** In 2007/08 we will have subsidised it in the sense that there will be a deficit between customer charges and the overall running costs of approximately £7 million. That will reduce with MCA and DfTC.

**Q74 Mr Davidson:** What was the anticipated figure?
***Miss Moorhouse:*** It will reduce to three. As I said earlier, the assumption was that there would be no subsidy, that the full costs would be recovered through customer charges in the normal way that a shared services centre would operate.

**Q75 Mr Davidson:** I understand that point, that it was going to come in gradually and was not going to be one big bang.
***Miss Moorhouse:*** That is right, it was going to be a gradual implementation.

**Q76 Mr Davidson:** Can I seek some clarification as to the opportunity costs? What would have been done with that money had it not been wasted on this scheme?
***Mr Devereux:*** It is only wasted on this scheme if I do not turn it around.

**Q77 Mr Davidson:** The money has gone.
***Mr Devereux:*** The reason that the National Audit Office records net present values is to look at things over time.

**Q78 Mr Davidson:** So you will have savings hopefully in the future. There are schemes which otherwise would have gone ahead which will not have gone ahead because you were subsidising these. Can you clarify for me what those projects were?
***Mr Devereux:*** I would have to think about that.

**Q79 Mr Davidson:** I think it would be helpful if we had a note on what things have been foregone as a result of this. The other point I particularly wanted to pursue is the question of software work going abroad. IBM and the Department, as I understand it, took software development work abroad on the basis that it would save money, but you cannot tell us how much money it saved. Indeed, there is no proof that it did actually save money at all.
***Mr Devereux:*** At the point at which we were looking at, the estimated increase in cost by the time we got to the interim business case in January 2006—which one of your colleagues has observed is going up—we consciously looked at ways in which we could deliver the same thing for less money. We talked about getting work done offshore in India which is circa one-third the expense. The plan and the contracts we signed presumed that it would be relatively quick to accredit for security purposes the work done in India. In practice, as the Report observes in 1.18, we were not supplied with all the necessary technical documentation which enabled the internal government officials to prove that logging in from India was going to be safe. You have to remember that this is an environment which is actually connected up to the Government's secure intranet and we do not really want people logging in unless we are confident it is secure. We embarked on this in order to save money. We have done some work in India but the reality is that, given the time pressure we were under, some of the work we had anticipated doing in India was ultimately done onshore at a higher cost.

**Q80 Mr Davidson:** So in answer to my question about whether or not you are able to tell me how much you would save by taking work to India the answer is no.
***Mr Devereux:*** That is what the Report records.

**Q81 Mr Davidson:** You agree with it? I have seen this happen before when people say they want to take projects abroad, to India in particular, in order to save money, it quite often turns out that for a variety of reasons the money that is saved is not actually there at all. As I understand it you cannot tell me whether or not money was actually saved and, if so, how much.
***Mr Devereux:*** What the Report says at the end of paragraph 1.18 is that neither we nor IBM were able to supply figures for the cost reduction. There are two things going on, one is that getting work done in India will have been cheaper in terms of number per hours done. The question is whether or not the extra effort that went into accreditation outweighed that. I personally would be surprised, which is why the sentence before says that we expect it would have made a savings. I think what the NAO is recording is that we have certainly not delivered a big catalogue of the full accounts in order to deliver that. If you wish I will go back and see whether or not if I can find any more information.

**Q82 Mr Davidson:** I think it would be helpful to know whether or not putting this software abroad did actually result in savings and, if so, how much.
***Mr Devereux:*** I will do that.

**Q83 Geraldine Smith:** I just find it incredible listening to this today. The point about it ending up costing £81 million, okay you say there may be things you will be able to do in the meantime before 2015 to make that a little bit better, but the Department was supposed to be making a saving. How do you think that looks to tax payers? That is tax payers' money. Perhaps you would tell us how much you expect to reduce the £81 million by? If you say it will not end up with that figure, what will it be?
***Mr Devereux:*** First of all, it is not acceptable that it should cost £81 million. I am not sitting here pretending that tax payers should be anything other than cross about it.

**Q84 Geraldine Smith:** What are the consequences of that happening? What action is taken to put that right?
***Mr Devereux:*** You asked me the question, "Where might this go?" I tried to get one of your colleagues to look at page 47 where the National Audit Office has laid out an alternative trajectory which includes what would happen if, for example, we managed to put low value procurement, which is basically people buying office supplies in eight different businesses, through one system and get the corresponding economies of scale.

**Q85 Geraldine Smith:** The problem is that the users have no confidence in you; the potential users have lost confidence.
***Mr Devereux:*** That is a separate point. Let me just answer the first question.

**Q86 Geraldine Smith:** How do you get them to use your service if they do not have the confidence?
***Mr Devereux:*** At the moment, as we observed in the table about shared service performance, actually levels of performance are rising; we are very nearly at the right target for making prompt payment, for example. It is very clear that that was not the case when we started but it is now. That National Audit

Office Report on delivering shared services in government had one interesting statistic in which I take some comfort from. Less than one year in to the National Health's Service's Shared Service Centre 75% of its users thought it was worse than when they started. Just over two years in only 20% thought it worse and 83% thought it was better. What that tells you is that fairly consistently in the evolution of shared services, when they go in, people typically struggle with them to begin with. I am not pleased that my staff are having to deal with these sorts of changes, but I am fairly confident that we will get to the position where actually people do know how to use this system, will be able to deliver well and actually we will get much better information about it as a consequence. I was asked the question earlier on that surely we should understand about businesses processes and know they are difficult to do. They are difficult to do. One of the potential benefits of going through the process that we are going through now is in order to define these processes, and get them standardised, and get them supported by systems, so that we all know where we are and we all know what it is we are spending the money on. That is going to be a benefit in the long run; but, that individual users find it difficult in the first year, I am afraid is par for the course in other implementations. It occurs in the private sector and it occurs in the public sector as well.

**Q87 Geraldine Smith:** It still seems to me a bit of a mess. You were going to do it in a year, you say it might have run on to 18 months; that seems very rushed to me. Even with the best will in the world with everything going right I think that would have been a terrible timetable to work to. I think that is the root of some of your problems.
***Mr Devereux:*** I think it is the root of some of the problems in that we did not change the timetable quickly enough when it became apparent what the difficulties were. I do not retreat though from the actual ambition here to actually get on with this. It would have been perfectly possible to say that we would do this over four years. I could have come to the Committee and you could have said, "Hang on a minute, what is best practice?" Best practice as advised to us by our external consultants is: this is doable in the space of about 12 months.

**Q88 Geraldine Smith:** Did your consultants tell you that?
***Mr Devereux:*** Yes.

**Q89 Geraldine Smith:** How much did the consultants cost?
***Mr Devereux:*** I do not have the figure with me, I am sorry. The point is that we sought to take advice about what was possible and stretching; we did not seek to do something which was soft and easy.

**Q90 Geraldine Smith:** Will those consultants still be working for the Department for Transport?
***Mr Devereux:*** They are not at the moment to my knowledge.

**Q91 Geraldine Smith:** Is that a yes or a no?
***Miss Moorhouse:*** The consultants who did the work for us originally made the assumptions very clear on which the savings could be achieved. I think you have to go back to the original discussion about how we and others manage or otherwise to deliver to those assumptions. In fairness to the consultants they were very clear that to achieve that timetable would be—

**Q92 Geraldine Smith:** My question was, are they still working for the Department?
***Miss Moorhouse:*** I was going to come onto the fact that they will almost certainly be employed within the Department for Transport and they may have a role within the Shared Service Centre Programme. They are not our main contractor.

**Q93 Geraldine Smith:** That just seems incredible. Is anyone held responsible at the end of the day? Is there any individual? Or do you just say, "Oh well, we rushed it; it's a bit of a rush. It's £81 million we've lost but we'll try to get it down a bit by 2015; we'll try and do a bit better, we'll do a lessons learned paper." Is that really good enough?
***Mr Devereux:*** I can assure the Committee that there have been consequences for individuals as a consequence of this Programme.

**Q94 Geraldine Smith:** What were those consequences?
***Mr Devereux:*** For example, people have not earned bonuses; they have had zero bonus payments. We have taken steps which reflect individuals' contributions to this project.

**Q95 Geraldine Smith:** That is the only consequence, a loss of a bonus.
***Mr Devereux:*** No, I said that was an example.

**Q96 Geraldine Smith:** Perhaps you will give me a few more examples. It is important. In any profession people have to be accountable.
***Mr Devereux:*** I absolutely agree with that. The only thing I am pausing over is a giving of examples to the Committee. You are taking me into a territory where I am going to find it difficult to be as helpful as you would hope I would be because essentially, having thought about where we are with this, if I am giving answers to questions which go beyond bonuses into the way in which employees are treated and what happens to their careers, we are getting into territory which, in my view, takes us into the area which needs to be confidential between an employer and an employee.

**Q97 Geraldine Smith:** Can you give me an assurance that something does happen to the individuals who make these sorts of mistakes?
***Mr Devereux:*** I have given you assurances that there are consequences to this. I am not trying to pull the wool over your eyes at all.
***Miss Moorhouse:*** Can I just add that the Report as well makes very clear that there has been a lot of work done by the Department over the last 12

months or so to try and recognise the lessons learned. In its own report it drew attention to a number of the issues that have been highlighted in the NAO Report as well to try to make sure that the Department is itself taking all of the action it can to address the situation that has been described here this afternoon. I think that is important to record as well.

**Q98 Geraldine Smith:** Can I ask you about some of the software that was developed abroad? People were obviously very concerned about personal data; can you give us an assurance that the data is safe, that those systems have been developed correctly?
***Mr Devereux:*** The reason why we have difficulty making sure the stuff in India was done as fast as it could be was precisely to ensure that it passed levels of security that you would expect a government department to be using. We have developed this to the very best of our ability consistent with the standards the Government uses to protect data.

**Q99 Geraldine Smith:** When do you think you will get all the users on board?
***Mr Devereux:*** The plan at the moment is to put the Maritime and Coastguard Agency in in October 2008 and to put the Highways Agency personnel work in from April 2009.

**Q100 Chairman:** You mention these bonuses but can you give us an idea what a bonus might be in terms of monetary terms? What has been the punishment? What have they lost?
***Mr Devereux:*** The bonuses would be of the order of low tens of thousands, as a top bonus.

**Q101 Chairman:** So somebody running this Programme could have got a bonus of how much? What are the consequences for senior managers?
***Mr Devereux:*** I am doing this from memory now. I doubt if any of the senior managers in the Department earn bonuses in excess of 20 grand.

**Q102 Chairman:** So they have potentially lost, at the very top level, £20,000. Nobody has lost their job, of course.
***Mr Devereux:*** As I tried to answer earlier I am not prepared to go into the territory of exactly what has happened to individuals.

**Q103 Chairman:** I am not asking you to name and shame particular individuals but £81 million has gone down the drain and we would like to know, without naming names, what has happened to those involved. Nobody has lost their job, have they?
***Mr Devereux:*** I am not answering the question. What I am saying is that there are relatively few senior officials on this Programme and if you invite me to anonymously quantify how many of the relatively few have or have not lost their role I end up in a position where I am hung either way.

**Q104 Chairman:** All right, you are not going to answer that question.
***Mr Devereux:*** That is correct.

**Q105 Mr Williams:** Can I turn to the NAO for a moment? Bearing in mind our scepticism of the Gershon figures when we first came across them, did anyone ask the Cabinet Office how they arrived at these figures? It is interesting that there is no witness from the Cabinet Office here. How do we know what hard evidence gave rise to these figures of potential savings?
***Mr Burr:*** Do you mean the Gershon savings?

**Q106 Mr Williams:** The savings of the Cabinet Office, the £1.4 billion as a result of this exercise across the whole of local government and central government.
***Mr Burr:*** We have produced a couple of reports on the Gershon savings.

**Q107 Mr Williams:** I am talking about these particular savings. Is the £1.4 billion better founded than some of the Gershon figures originally had been?
***Mr Burr:*** I do not think so, no.
***Mr Devereux:*** Are you talking about the Cabinet Office assessment of the total potential savings from shared services which is not the same as £785 million that we would set as a target ourselves?

**Q108 Mr Williams:** They have set a target of £1.4 billion—the whole of central and local government we are talking about—is that a modest, a realistic or an ambitious programme, do you think?
***Mr Burr:*** I do not know if I would be able to qualify it in that way but I think those savings are in much the same position as the wider efficiency savings we have commented on on Gershon, some of them are harder than others.

**Q109 Mr Williams:** Coming to your figures at the Department for Transport, there is a slight variation in the briefing that we have from the figures that Mr Davidson used, but with the total cost originally estimated at £55 million and now it is £121 million, there is a £66 million loss and with a savings estimate of £112 million now down to £40 million there is another £70 million loss, how on earth did you achieve a turnaround of £136 million from your original estimates?
***Mr Devereux:*** As the way you have described it demonstrates, there are two halves to that question. There is an answer in respect of the cost first of all, and the reasons which the National Audit Office describe that we have been discussing this afternoon, an estimate of the cost of delivering this service that we embarked on originally that was clearly optimistic. We have ended up spending more on this project than we expected. Some of that is undoubtedly additional cost and we have ended up doing it in a rush where, had we planned it perhaps, we could have got better savings out of it. On the benefits side, as I have tried to illustrate a couple of times, this is still a "to a point in time estimate", the

£40 million net savings by the end of it. I am not expecting that to be the position by the time we have finished.

**Q110 Mr Williams:** Are you expecting to redeem this loss?
***Mr Devereux:*** I am, yes.

**Q111 Mr Williams:** In what sort of timescale?
***Mr Devereux:*** All the figure work you see in front of you presupposes a timeline out to 2015. If I can finally encourage the Committee to look at page 47 that is the alternative version which the National Audit Office has put down which shows what might be possible in the event that we would secure, in particular, substantial savings out of procurement. The only reason for drawing your attention to it is that on certain assumptions you can make this quite strongly positive. The commitment I need to make to you as a Committee is that it is very much my intention that we will not leave this project as delivering a loss to the tax payer; I cannot see how that can possibly be acceptable and we will change it round.

**Q112 Mr Williams:** I see from another part of our briefing that the Department has identified significant potential savings from adding routine procurement. In fact I am rather surprised that routine procurement is a late add-on. Would that not have been one of the most obvious places to start and one of the most reliable places to start rather than a desperate last cast around for something that you will get right?
***Mr Devereux:*** When the Board originally thought about what it was going to put into the Shared Service Centre one potential was to embark immediately on the procurement as well because it is a standard thing to put in procurement. We consciously wrote a business case which relied only on head count savings from doing standard processes like invoice payment et cetera. We are now in a position where actually I think we can make some progress on that. We have quite a good track record of procurement across the piece within the Department as a whole and having now made some more re-organisation myself to use the skills that we have brought in who are actually very experienced in this, I believe it is possible to make procurement savings now and I am more confident about that than I would have been two years ago.

**Q113 Mr Williams:** With hindsight you now accept it would have been better if you had held a competition in the first place rather than just relying on the IBM existing arrangement. It would at least have made you focus on precisely what it was that you as a Department needed and it might have tightened your analysis in various other areas. Do you regret that you did not do that at that stage? I am not saying that in a critical way.
***Mr Devereux:*** Sitting here today I think that is a very reasonable question. We have taken two years rather than one year to deliver even the first implementation, to get the first businesses live. As we have observed in terms of performance, even after that we have actually managed to damage the standing of shared services by rushing something out. So from where I am sitting now, with the benefit of hindsight, it probably would have been better to take longer and to potentially contract it out but, for the reasons I have been through previously, on the best analysis we could do at the time, we believed it was possible to make faster progress and make quicker savings for the tax payer. We embarked on this in order to make savings.

**Q114 Mr Williams:** Whitehall at the moment proliferates Gateway Reviews. Where were yours? Why did you not introduce a full range of external gateway reviews as one might have expected?
***Mr Devereux:*** If you turn to appendix three on page 36 you will find a long catalogue of different gateway reviews, the conclusions of which were that in February 2005, when we decided to embark on this, the review concluded that was a sensible thing to do. By the time we get to April 2006, the review is essentially saying that there are a number of things which are time critical. We had a conversation earlier where I was saying that at that point it became increasingly obvious in the April to July period that the things that are in these contracts that were signed were not being delivered. The April 2006 gateway review was saying, "You may proceed but only if you fix these things". It is very clear that those things were not fixed. Subsequent to that, though, we did have a gateway review; it was called a health check and it was held in February 2007 before the system was turned on. That health check came back on an amber rating rather than a red rating, and an amber rating essentially says that (subject to doing the things we say) you ought to proceed. So we had had a succession of gateway reviews, and then as soon as we had the Shared Service Centre open and had stabilised the position early in 2007, we then embarked on another one. It is those reviews which are now consistently recording this Programme as being in what I think they call "strong recovery".

**Q115 Mr Williams:** We are told that you set 18 performance targets for yourselves but you have only achieved four of the 18. Why so few? Have you prioritised those targets? Are the four high priority or low priority; are they easy ones or difficult ones to attain?
***Mr Devereux:*** I think in retrospect the list of indicators which you see on page 20 was not as well thought through as it should have been. The fact that I have several of these that say I cannot measure them even today does not demonstrate that the thought that went into them was satisfactory, certainly for the system we delivered. In terms of priorities I am very clear that making sure that invoices are paid properly on time (we have a target of 98% to be paid within 30 days) is the most important external facing one. You will see in the top two lines of page 20/21 that in April—which goes just beyond the Report—the DVLA got to 96%. I regard that as a very important one. It is also important, to be honest, to make sure that the

payroll works out well to make sure that people are being paid properly; they have an absolute right to expect that. There are two things in there that are important. Some of the other ones that have been measured here are, if you like, more internal processing ones, the one that you identified earlier on about creating customer details, the numbers of transactions going through are relatively few, and it is not in the same league as the invoice payments.

**Q116 Mr Williams:** Figure seven shows average private sector comparators. Do you think you will ever get to those levels?
***Mr Devereux:*** I am not sure we will get to average private sector levels for so long as the Government requires us to do a variety of reporting which is not done in the same way within the private sector. In particular there are some quite complex arrangements to ensure that we properly account to the Treasury and through them to Parliament for the way things are spent which are simply of a different nature to the way in which subsidiaries would simply aggregate up their accounts. There are things going on in the process which actually make the system more difficult to operate. That said, when it comes to whether we ought to be capable of processing invoices properly that is probably going to turn simply, by the time we have finished with the process of improvements that we are embarked on, on the question of scale. As is observed again in the early work you did on shared services across government, there are very different levels of scales of operation going on here. It will always be a struggle for a department of around 18,000 people to actually make these become as attractive a position as it would be in the private sector.
***Miss Moorhouse:*** It is a scale issue. That fundamentally is the key issue for us, and about the policy of our own internal work, to streamline and improve on the base we have today which, as you have heard, we are very committed to doing.

**Q117 Mr Williams:** We are told that you are not directing chief executives to implement the business changes that are needed to achieve savings. Why not?
***Mr Devereux:*** The chief executives are looking at the performance of the system, and not least the unit costs which you have just alerted us to, and are very clear where we have to make improvements on this system. It is clear that there are things that can be done in each of these agencies as the system beds in, and as we develop it. I am not intending to continue in a position where chief executives have a free vote as to whether to participate in this. The only question we have to be careful of is to make sure that in making any transfers in improvement in the business processes we do not undermine the service delivery to customers at the same time. It seems to me that we are being asked to do both of those and that is what we are going to try to do.
**Chairman:** I think Mr Bacon has a supplementary.

**Q118 Mr Bacon:** Geraldine Smith referred to the consulting firm who told you it was possible within the timetable, though it was not and you did not have the figure for how much had been spent on them to hand. Which consulting firm was it?
***Mr Devereux:*** It was Deloittes.

**Q119 Mr Bacon:** Could you send us a note with how much has been paid to Deloittes in total and what it was for, if necessary broken down into different components.
***Mr Devereux:*** Certainly.

**Q120 Mr Bacon:** My second question related to our conversation about inadequate testing. I was simply trying to gain your assent to the proposition that one of the fundamental problems here was that there was inadequate testing.
***Mr Devereux:*** Correct.

**Q121 Mr Bacon:** Good.
***Mr Devereux:*** I am sorry, you were picking on the pre-production environment.

**Q122 Mr Bacon:** The pre-production environment is where the testing goes on, is it not?
***Mr Devereux:*** It is where the testing goes on once you already have a live system and you want to test the increases to it. The main problem in actually getting this thing started was that it was not properly tested.

**Q123 Mr Bacon:** So any testing that took place took place on the live system; any further testing took place on the live system.
***Mr Devereux:*** Yes. Prior to April 2007 there is no live system therefore the thing that you are testing is not live. That is the thing which was being done in such a rush and so late that the testing period was shrunk to a very miniscule period.

**Q124 Mr Bacon:** I have lost count of the number of times I have heard in this Committee for different projects that there was not enough time to do the testing. Why does somebody not hold up a big flag—a big red light, to use a gateway phrase—to whomever it is who says to you that you must go ahead by a certain timetable that you need enough time for testing. This happens again and again.
***Miss Moorhouse:*** If you are including finance systems you almost certainly have to go live at the beginning of the financial year; that is generally recommended practice for finance systems and therefore often testing becomes very pressurised. You run the risk of losing a whole year before you can actually bring the system back in at the beginning of the next financial year. That is one of the reasons why testing can become very pressurised because of that slim opportunity.

**Q125 Mr Bacon:** It is not just financial year, is it?
***Miss Moorhouse:*** No.

**Q126 Mr Bacon:** There are all kinds of things that have nothing to do with the financial calendar and this is a regular problem. There was not enough time to do the testing before the timetable got to a certain point. Surely the answer is to make more time.
***Mr Devereux:*** I agree with you. There was a choice open to the chief executives of the DVLA and the DSA not to switch this on on the second of April in the absence of the testing. They reached sufficient confidence from the OGC review that maybe it would be okay that they did. In retrospect I am not sure that was a good choice.

**Q127 Chairman:** I think, Mr Devereux, that concludes our hearing. We did see recently one project that went well, JobCentre Plus which had been rolled out by three people who had worked their way up from the bottom of the department and had 112 years of experience. I understand that you only arrived in the Department in 2003 and became permanent secretary in 2007 so between you you have five years in this Department. I think there is an object lesson here. I was very struck by the answer that you gave us where you refused to answer my questions about how people were held responsible. I think at these hearings, Mr Burr, it would work better in the future if we could get the project manager here, the person who actually ran it and find out from him or her what went wrong and we hold them to account. This is not just a game where the permanent secretary mugs up for a few days on what has been a major public sector failure. Sir John Bourn, the previous Comptroller and Auditor General, said that there are three things that can go wrong with projects: they can cost more; they can take longer; or they can make matters worse. Mr Devereux, your Department seems to have managed all three.
***Mr Devereux:*** I have done the first two but I am telling you I am going to make the third one go away.

**Q128 Chairman:** We would like to have you back in two or three years' time.
***Mr Devereux:*** I look forward to it.

**Q129 Chairman:** If you are still there in two years' time I would like to hold you to account on this.
***Mr Devereux:*** Let us hope I am.
**Chairman:** Thank you very much.

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## Memorandum from the Department for Transport

Question 78 (Mr Davidson) *on whether any DfT programmes had been cancelled or curtailed as a result of the Department funding cost increases on the Shared Services Programme*

The Shared Services Programme has been funded from the Department's Departmental Expenditure Limit (DEL). The Department manages its administration and programme budgets carefully on an annual basis. In line with the Consolidated Budgeting Guidance from HM Treasury, in the years leading up to 2007-08, the Department built up end-year flexibility within its DEL and was then able to use this to fund the majority of cost increases relating to the Shared Services Programme. As a result the Department has not considered cancelling or curtailing any of its planned spending in order to channel additional resources into the Shared Services Programme.

Question 82 (Mr Davidson) *regarding savings lost as a result of not outsourcing as much software development work to India as had been planned*

IBM and the Department considered offshoring some of the software development work to India. The NAO observe in paragraph 1.18 of their report that, while IBM and the Department believed that software development abroad restrained Programme costs, the reduction was not as great as had been envisaged because of delays and additional costs associated with complying with the stringent government security accreditation requirements regarding software development abroad. However, at the time of the report neither IBM nor the Department had been able to supply figures for the cost reduction including the effect of increased security accreditation effort.

As a result of reviewing information with IBM that was not available at the time of the report, the Department has compared the number of development days actually off shored with those planned, and taken account of the additional equipment and accreditation costs, and has estimated that the use of off shoring has saved the Department some £44,000 to date.

Question 119 (Mr Bacon) on details of amounts paid by the Department to Deloitte for their work on the Shared Services Programme and setting out what other DfT projects Deloitte are engaged on

In April 2004, Deloitte won an open competition to provide consultancy support to the Department for Transport's Support Services Review. The contract was subsequently extended to provide client side advice, enable the development of the outline business case; and handover the design stage to IBM. The total value of that contract was some £2 million.

Following agreement to engage IBM as the main delivery partner, the Department held an open competition for consultants to provide quality assurance, challenge and client side support. This competition was won by Deloitte and to date some £2.6 million has been expended.

Other major activities Deloitte have been involved in for the Department in the last two years are Road Pricing Support, let under the Road Pricing Framework Agreement, and the Internal Audit Co-sourcing.

*30 June 2008*