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Lucia Wilson  
NI Assembly  
Via email – [lucia.wilson@niassembly.gov.uk](mailto:lucia.wilson@niassembly.gov.uk)

Our ref: SINV 109-2020

25 January 2021

Dear Lucia

**PUBLIC ACCOUNTS COMMITTEE EVIDENCE SESSION – REMOVAL OF  
'COMMERCIAL SENSITIVE' MARKING**

Thank you for your email dated 18 January 2021 requesting a review of correspondence previously provided on Management of the NI Direct Strategic Partner Project – helping to deliver Digital Transformation and The LandWeb Project.

I have reviewed the material previously provided in my correspondence dated 22 October and 11 November 2020 and, after careful consideration, I am content that the tables contained in the correspondence may now be published, with the exception of Annex D, Table 1 – BT Original Tender Submission.

As that correspondence remains an official record I now attach - at Appendix A - a copy of the relevant tables with the previous 'commercial sensitive' annotation reference removed.

I hope this response provides the information you requested. Should you require further clarification, please contact Paul Duffy who will be available to address any outstanding issues ([paul.duffy1@finance-ni.gov.uk](mailto:paul.duffy1@finance-ni.gov.uk)).

Yours sincerely



**SUE GRAY**

## APPENDIX A

### Project overspend of £110m – provision of analysis of the monetary value of both projects against the additional cost to the public purse.

The following table provides a breakdown of the £110million contract value for the NI Direct Strategic Partner contract, including both actual and forecast costs.

NI Direct Expenditure	Cost to Jun 20	Forecast to Oct 22	TOTAL
Core DSS Costs (Contact Centre Advisory & Development Costs) Centrally Managed)	23,846,595	9,492,111	33,338,706
Advisory & Development Costs (for Depts)	8,764,254	4,847,063	13,611,317
Managed ICT Service Costs (for Depts)	42,251,795	445,783	42,697,578
	14,429,145	5,775,406	20,204,551
<b>Grand Total</b>	<b>£ 89,291,789</b>	<b>£ 20,560,362</b>	<b>£ 109,852,152</b>

### NI DIRECT ONLY (OPTIONAL SERVICES DEVELOPMENT)

The following table provides a further breakdown of advisory and development costs (for Departments) which is a list of the projects/applications that were developed outside the original contract requirements through the use of the optional services. This list includes the '16 x 16' applications.

## Advisory and Development Costs of Departments

	Advisory & Development Costs (for Departments)	Cost to Jun 2020	Forecast to Oct 22	TOTAL
DoJ	AccessNI	2,385,295	34,175	2,419,471
DoF	CAMEO2 - LPS	963,869	-	963,869
DAERA	DARD Reform Support	4,980,521	-	4,980,521
DAERA	DARD TOM Implementation Support	49,743	-	49,743
DAERA	DCAL Inland Fisheries Group Transformation	1,300,505	-	1,300,505
DfE	DEL Careers Service Commercial Off-The-Shelf	407,532	-	407,532
DfE	DEL Careers Service e-Delivery Project	72,650	-	72,650
DoJ	DOJ Compensation Services	1,807,937	-	1,807,937
DfI	DRD Blue Badge	33,714	-	33,714
DfI	DRD Roads	1,827	-	1,827
DfC	DSD Landlord Registration Scheme	1,010,137	-	1,010,137
DfI	DVA Provision of Driver Licence Replacement Project	8,353,672	4,448	8,358,120
DE	EA Digital Admissions	91,603	-	91,603

	Advisory & Development Costs (for Departments)	Cost to Jun 2020	Forecast to Oct 22	TOTAL
DoF	GeNI (GRONI)	1,114,148	-	1,114,148
DfE	HSENI	14,568	-	14,568
DoF	LPS Rate Rebate Replacement Project	2,557,445	6,387	2,563,832
DoF	LPS Rates Payments System	193,702	-	193,702
DoF	LPS RSS	1,922,090	160,255	2,082,346
DoH	NHS OOH GP	54,721	-	54,721
NI Authority for Utility Regulation	NIAUR Web Support	27,404	-	27,404
DoJ	NILSC Foundation for Digital Transformation	7,050,219	142,499	7,192,718
DoJ	NIPB - Web Support	7,088	-	7,088
DoF	NIROS (GRONI)	3,337,921	-	3,337,921
DfE	Northern Ireland Tourist Board	1,736,796	-	1,736,796
InvestNI	Northern Irish Connections	79,957	-	79,957
DoJ	PACWAC	658,658	-	658,658
DoJ	PPSNI Comms Planning	28,656	-	28,656
DoF	Properties Division CRM System	38,938	-	38,938
DfC	SSA Debt Transformation Project	1,406,953	-	1,406,953
DfC	SSA Social Fund Accounting Gap	134,355	-	134,355
DoF	SSM - (GRONI)	429,171	98,018	527,189
	<b>Grand Total</b>	<b>£ 42,251,794.98</b>	<b>£ 445,782.80</b>	<b>£ 42,697,577.78</b>

The following table relates to the managed service costs to provide ongoing support to the Non DSS applications above. It should be noted that not all those developments required ongoing support so there will not necessarily be a corresponding charge in the following list.

To note that there will be ongoing support costs until each application has exited from the NI Direct contract.

	Managed ICT Service Costs (for Departments)	Cost to Jun 2020	Forecast to Oct 22	TOTAL
DoJ	AccessNI	1,313,382	109,948	1,423,330
DoF	CAMEO2 - LPS	725,408	225,580	950,988
DAERA	DARD Reform Support	1,467	-	1,467
DAERA	DCAL Inland Fisheries Group Transformation	423,501	224,299	647,800
DfE	DEL Careers Service Commercial Off-The-Shelf	202,550	1,148	203,698

	Managed ICT Service Costs (for Departments)	Cost to Jun 2020	Forecast to Oct 22	TOTAL
DfE	DEL Careers Service e-Delivery Project	124,678	-	124,678
DAERA	DOE Carrier Bag Levy	665	-	665
DoF	DOF Central Costs	92,704	-	92,704
DoJ	DOJ Compensation Services	630,438	299,494	929,932
DoJ	DOJ Payments	37,321	-	37,321
DfC	DSD Landlord Registration Scheme	708,206	183,837	892,043
DfI	DVA Provision of Driver Licence Replacement Project	2,345,155	287,768	2,632,923
DoF	GeNI (GRONI)	804,070	220,983	1,025,053
DoF	LPS Rate Rebate Replacement Project	19,888	609	20,497
DoF	LPS Rates Payments System	1,606,624	906,697	2,513,321
DoF	LPS RSS	981,644	1,123,302	2,104,946
DoJ	NILSC Foundation for Digital Transformation	725,578	1,309,250	2,034,828
DoF	NIROS (GRONI)	1,856,095	819,235	2,675,330
DfE	Northern Ireland Tourist Board	1,512,893	-	1,512,893
TEO	OFMDFM Auto Compliance	89,817	-	89,817
DoJ	PACWAC	161,664	63,256	224,920
DoF	Properties Division CRM System	35,366	-	35,366
DoF	SSM - (GRONI)	30,034	-	30,034
	<b>Grand Total</b>	<b>£ 14,429,145.18</b>	<b>£ 5,775,406.00</b>	<b>£ 20,204,551.18</b>

As there is still almost 2 years remaining, these costs will continue to accrue, although the timetable for removing application support from the NI Direct contract will result in a reducing cost across the remaining term.

It should be noted that the contract has been used in response to the COVID-19 pandemic to provide urgent and critical services for a wide range of departments. The immediate and ongoing costs of these additional requirements are being assessed.

**Details of the challenge function of the projects: i.e. the negotiations for the original contract; the negotiations on the reviewed contract; who was involved in both of these negotiations; and all quotes received and costs incurred for both contracts.**

### Negotiations for Original Contract

The NI Direct contract was awarded following a Competitive Dialogue Procedure in accordance with the Public Contracts Regulations 2006 (which were current at that time).

The competitive dialogue with suppliers was carried out by the NIDirect project team, Pinsent Masons (legal advisors) and a Grade 7 Strategic Advisor from Central Procurement Directorate (CPD).

Once the contract was in place, each individual department wishing to use the contract required business case approval for each project to be delivered through the contract. In developing their business cases, each department were provided with a costed proposal from the supplier and had an opportunity to scrutinise and challenge the proposed costs. These costs would have been reflected in the approved business case.

In addition, in late 2017, the Department for Finance commissioned an independent assessment by Gartner of the NI Direct contract, including whether the contract had been value for money, based on actuals to date and projections to 2019. Gartner assessed the Value for Money of the contract by considering each of the service components delivered: the portfolio of projects delivered, the Managed Services which support the systems delivered by those projects in live, Contact Centre Services and the Consultancy Services rate card (Schedule 12).

### **Overall Project Delivery Value for Money**

For the 34 projects that could be included in the review the total spend through the contract was determined as £33.1m. For the functionality delivered, the spend of £33.1m is within the Gartner market range and marginally below market average and as such the price should be considered Value for Money.

### **Specific Projects Delivered through the contract - LSA**

The project Apply for Legal Aid (LSA) was included in the scope for detailed analysis. The analysis indicates that the cost of the LSA project was marginally below the low end of the market range (the 25th percentile).

### **Specific Projects Delivered through the contract – Inland Fisheries Group Licencing and Permits**

The project could be considered as an example of the good working relationship between NI DSS and BT in that BT employees were embedded to perform NDA responsibilities; to the extent that “Chinese walls” were in place to ensure that no conflicts of interest occurred during commercial discussions.

Using the spend comparable to the project sizing analysis the Inland Fisheries Licensing project was between the low end of the range and the market average indicating Value for Money.

## **Specific Projects Delivered through the contract – Apply for a Driving Licence (DVA)**

Similar to LSA and Fisheries Licensing, as a public facing project with high strategic importance Gartner would expect a high degree of oversight, audit and testing which would impact the project costs upwards.

The charges paid by NIDSS through the contract for delivery are marginally below the market average, indicating that such charges against the full project functionality (of 3,589 Function Points) were Value for Money. When including the £0.8m ascribed to BT-absorbed costs suggests that, effectively, the project would have been significantly above average yet still within the market range.

## **Managed Services – overall comparison**

The managed service component considers the Value for Money of what is referred to as “Service Charges” within the project tracker – for the period to March 2017 the charge is c£3.2m.

The analysis indicates that the BT charges for provision of the managed services are Value for Money being below market average for the complexity and quality of service delivered.

## **Contact Centre – overall comparison**

The Contact Centre component considers the Value for Money of the delivery of the Operational Service and the Managed ICT Services (which provides the support and maintenance of the infrastructure to deliver the operational services). The Flood Information Line, Emergency Response and Service Management charges have been included in the comparison which has been taken for the period October 16 – March 17 and extrapolated to 12 months.

The comparison has been performed using Productive Hours as a basis and indicates that the BT charges are Value for Money, being below market average.

## **Consultancy Services**

Overall, day rates offered through Schedule 12 are competitive, being in general below the low end (25th percentile) of the Gartner Market range, and approaching the 10th percentile in some cases.

Taken as an overall comparison across Project Services, Managed Services and Contact Centre Services then it is Gartner’s opinion that the contract should be considered Value for Money.

## **Review of Contract**

In 2019, a senior procurement specialist from Construction and Procurement Delivery (CPD) assisted the NI Direct Programme Director and Director of Digital Shared Services in negotiating the contract extension with senior members from BT. Independent commercial and financial advice was also obtained to provide further scrutiny and challenge of the proposals which resulted in a reduction to the proposed costs.

In 2019, the supplier presented a proposal in relation to their existing cost base, and ongoing support. A number of challenges were made by the NI Direct team in relation to that initial proposal (based on legal and financial advice) which resulted in a reduction to the requested increase and also resulted in no increases to the managed service costs.

## TABLES PROVIDED IN ORIGINAL CORRESPONDENCE - ANNEX D

### Original NI Direct Contract & FBC Costs

Payment is split across two separate streams:

- **Implementation Phase (Capital Costs):** for which the Contractor charged milestone payments. These payments related to the cost incurred by the Contractor in developing the infrastructure required to deliver the service, including system design, development and implementation. These costs include hardware, software, business development and project management.
- **Steady State:** for which Service payments will be made. Service Payments are comprised of separate elements:
  - Productive Hour Charge;
  - Managed ICT Service Charge;
  - Service Management Charge;
  - Flooding Incident Line (FIL) Availability Charge;
  - Emergency Response Availability Charge; and
  - Specialist Business Consultancy Charge on a call off basis.

Table 2 below shows the cost to DSS to end June 2020. (Tables 4 & 5 provide a further breakdown). [NOTE] The Productive Agent Hours cost is partially recovered from service users (£700k recovered in 19/20).

### Table 2 – DSS Total Costs to date

CC Capital	2,707,396
CC Emergency Response Availability	226,711
CC Flooding Incident Line (FIL) Availability	319,704
CC Managed ICT Service	3,980,086
CC Productive Agent Hours Variable	8,821,507
CC Script Team	271,921
CC Seat Charge	878,367
CC Service Management	2,146,340
CC Telephony	793,394
CC Web Based Payment Service	6,408
DOF Central Costs	6,591,314
Exit - NI Direct	223,592
Indexation	253,671
Landscape Review Phase II	362,256
Livelihood Licence Renewal	157,349
NHS OOH GP	10,575
NIDA	889,293
NIHE MiFI	24,569



NIPS Visitor Bookings	100,310
OIDA	98,683
Toolkit	2,766,444
UX Staff Substitution	23,180
Website Consolidation Project	957,782
<b>Grand Total</b>	<b>32,610,852</b>

To note, the expected costs for 'contact centre service charges' from table 1 above relate specifically to productive agent hour costs and the cost of making / accepting payments relating to the services. As can be seen, the expected volume of productive hours was 35K per annum. This equates to £655K per annum in costs for that specific item, or expected £4.9M to October 2019.

The following table shows the actual volume of calls per financial year, with the corresponding cost.

**Table 3 – Actual Productive Agent Hours – by financial year**

Financial Year	Number of Hours	Cost
12/13	8,501	157,756
13/14	37,604	685,551
14/15	51,629	932,191
15/16	62,256	1,119,078
16/17	69,686	1,249,748
17/18	85,504	1,598,274
18/19	92,323	1,647,848
19/20	93,585	1,670,038
<b>TOTALS</b>	<b>492,587</b>	<b>8,524,870</b>

As can be seen, there has been a significant increase in the use of the contact centre (by citizens) in latter years. This has brought with it additional costs relating to BT premises and management staff, which have increased the overall cost of the contact centre service (to DSS) whilst keeping the cost of the 'productive hour' for our service areas at agreed levels.

In relation to 'core' contract costs, the following table is a list of the various charges which relate to supporting the NI Direct infrastructure, and the costs relating to the contact centre (to end FY 19/20). These costs are directly as recorded on the Account NI reporting system.

**Table 4 – DSS Core Costs (Contact Centre & Managed Services)**

Core DSS Costs (Contact Centre)	Current Expenditure	Forecast to Oct 22	TOTAL
CC Capital	2,707,396	-	2,707,396
CC Emergency Response Availability	226,711	68,150	294,861
CC Flooding Incident Line (FIL) Availability	294,521	256,910	551,431
CC Managed ICT Service	3,980,086	1,075,084	5,055,170
CC Productive Agent Hours Variable	8,821,507	4,953,018	13,774,525
CC Script Team	271,921	607,057	878,978
CC Seat Charge	878,367	459,836	1,338,203
CC Service Management	2,146,340	240,578	2,386,918
CC Telephony	793,394	559,678	1,353,072
CC Web Based Payment Service	6,408	33,780	40,188
DOF Central Costs	3,308,926	823,574	4,132,500
Indexation	253,671	344,099	597,770
Livelink Licence Renewal	157,349	70,347	227,696
<b>Grand Total</b>	<b>£ 23,846,595.20</b>	<b>£ 9,492,110.82</b>	<b>£ 33,338,706.02</b>

In addition, in the original contract, it was envisaged that 'optional services' could be availed of by the Authority. These optional services included advisory resource, and development resource.

There have been a number of centrally (DSS) funded advisory & development activities through the lifetime of the contract. These relate mainly to Discovery exercises and development costs for a number of 'shared service' elements. These tend to be reusable components which can be used across a number of applications.

**Table 5 – DSS Advisory & Development costs**

Advisory & Development Costs (Centrally Managed)	Current Expenditure	Forecast to Oct 22	TOTAL
CC Flooding Incident Line (FIL) Availability	25,183	-	25,183
DOF Central Costs	3,282,388	1,597,063	4,879,450
Exit - NI Direct	223,592	3,250,000	3,473,592
Landscape Review Phase II	362,256	-	362,256
NHS OOH GP	10,575	-	10,575
NIDA	889,293	-	889,293
NIHE MiFI	24,569	-	24,569
NIPS Visitor Bookings	100,310	-	100,310
OIDA	98,683	-	98,683
Toolkit	2,766,444	-	2,766,444
UX Staff Substitution	23,180	-	23,180
Website Consolidation Project	957,782	-	957,782
<b>Grand Total</b>	<b>£ 8,764,254.10</b>	<b>£ 4,847,062.60</b>	<b>£ 13,611,316.70</b>