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Our ref: SINV 109-2020

21 October 2020

Via email – committee.publicaccounts@niassembly.gov.uk

Dear William

PUBLIC ACCOUNTS COMMITTEE EVIDENCE SESSION – REQUEST FOR FOLLOW-UP INFORMATION

Thank you for your letter of 2 October 2020 in which you requested some additional information following the recent evidence session with the Committee on 24 September.

I am really sorry for the delay in providing this information. It was necessary to commission details from each department of their live contracts with a value greater than £50 million and this unfortunately took longer than I would have wished. Departments have provided details of the contracts that they are responsible for managing, excluding those contracts managed by their Arms-Length Bodies. In gathering this information, it has not been possible within the timeframe to quality assure the information submitted by departments.

The points you raised in your letter and responses to each topic are included in the following Annexes:

- Annex A: DoF contracts– live contracts valued at £50m+
- Annex B: All departments' contracts – live contract value at £50m+
- Annex C: Impact of COVID-19 on Northern Ireland Economy – University of Ulster research

- Annex D: Open Book Accounting – clarification on independent audit; work done by Department; provision of accounts and Department's considerations of them

I hope the Committee finds this information helpful.

Yours sincerely



Sue Gray

Copy Distribution List

Paul Duffy
Ian Snowden
Stuart Stevenson
Ignatius O'Doherty
Julie Sewell

DoF Contracts – live contracts valued at £50m+

ANNEX A

Name and type of contract	Original contract length	Start date, break dates and end date	Service provider name	Details of any extension period and reasons why it was extended	Original cost versus cost to date	Whether or not open book accounting forms part of the contract	Name of current SRO	Number of SROs since contract start
Account NI	12 years	9 March 2006 to 8 March 2018	British Telecom	Contract has been extended to 8 March 2022 (with the option to extend to 8 March 2023). To ensure continuity of essential services	Original cost: £52m Approved revised cost: £100m Cost to date: £90.8m	Yes	N/A The SRO role finished for Account NI with the completion of the Gateway 5 reviews in 2011.	1. David Thomson (2002 - 2009) 2. Paul Wickens (2009 - 2011)
NI Direct Strategic Partner Procurement	7 years with an option of a 3 year extension	23 October 2012 to 22 October 2022	British Telecom	Contract has been extended to October 2022 To complete contract exit and maintain	Original Cost: £50m Approved revised cost: £110m	Yes	Paul Duffy (interim SRO)	1. Paul Wickens (start date to October 2019) 2. Paul Duffy (May 2020 to present)

Electronic Human Resource (eHR) Strategic Partner Procurement Project (the HR Connect Contract)	15 years	29 March 2006 - 28 March 2021 - break dates at any time on or after 10 years (28 March 2016)	Fujitsu	continuity of essential services None – currently under negotiation to ensure continuity of essential services	Cost to date: £92.5m Original cost: £185m Cost to date: £206.4m	Yes	The SRO role finished for HR Connect with the completion of the Gateway 5 reviews in 2011.	<ol style="list-style-type: none"> 1. Derek Baker (2006 - 2009) 2. Paul Wickens (2009 - 2011)
NI Public Sector Shared Network - Provision of Managed Network Services including Unified Communications to the NI Public Sector	7 years	1 October 2019 to 30 September 2026 (option to extend by 2 years)	British Telecom	N/A	Original cost: £400million Cost to date: £29.5million	The Project is not Open Book accounting for the reasons below: <ol style="list-style-type: none"> 1. Each item is individually priced and therefore customers can decide whether or not to purchase via PSSN. 2. There is a minimum spend on the contract which 	Paul Duffy (interim SRO)	<ol style="list-style-type: none"> 1. Paul Wickens (October 2016 from procurement stage to Oct 2019) 2. Paul Duffy (May 2020 to present)

						allows customers to use a different contract vehicle if they prefer.		
The Northern Ireland Public Sector Shared Data Centre Project	10 years	30 Aug 2016 to 29 Aug 2026 (option of 2 three year extension periods)	British Telecom	Option of 2 three year extension periods post 29 th Aug 2026	Contract range from £20m to £70m Current spend £5.54m	The Project is not Open Book accounting for the reasons below: There are two main components of Data centre Pricing Facility charge per Data centre Rack – This is price booked per rack for the full 16 years (10 years + potential extensions) Electricity charge – This is fixed a year in advance per Kw/h by SIB using the projected forward price	Paul Duffy (interim)	<ol style="list-style-type: none"> 1. Paul Wickens (from start date – October 2019) 2. Paul Duffy (May 2020 to present)

						<p>of gas – using Intercontinental Exchange (ICE) model These two mechanisms allow all Users to manage the rack numbers and ensure competitive electricity pricing To further protect Users there is a minimum commitment in the contract set at around 20% of current spend which in essence allows Users the option to migrate Data Centre business elsewhere if market conditions dramatically changed.</p>		
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Property Maintenance Pan Government Collaborative Framework 2019 - Lot 1 North	4 years	1 April 2020 to 31 March 2024	Graham Asset Management Ltd	The Framework Agreement shall be deemed to have commenced on the date of execution and will expire on the first anniversary of that date. This Agreement may be renewed in relation to any one or more Contractor(s) by written notice taking effect on the first, second or third anniversary of the commencement date, in each case.	Original cost: £50m Cost to date: £548k	No, but reserve the right of audit	Gareth Brown	1. Gareth Brown (1 April 2020 to present)
Property Maintenance Pan Government Collaborative Framework 2019 - Lot 2 South	4 years	1 April 2020 to 31 March 2024	H & J Martin Ltd	The Framework Agreement shall be deemed to have commenced on the date of execution and will expire on the first anniversary of that date. This Agreement may be renewed in relation to any one or more Contractor(s) by written notice taking effect on the first, second or	Original cost: £50m Cost to date: £345k	No, but reserve the right of audit	Gareth Brown	1. Gareth Brown (1 April 2020 to present)

				third anniversary of the commencement date, in each case.				
Landweb Transactional Based Contract	20 years	7 July 1999 to 6 July 2021	British Telecom	Two year extension to 7 July 2021 The extension period was necessary as we had no replacement system to Register Land & Property and as this forms a wider implication to the Northern Ireland economy it was necessary to extend ensure continued service.	Original cost: £46m Cost to date: £105m	No	Christine Farrell	1. Arthur Moir (1999 to 2006) 2. Patricia Montgomery (2006 to 2012) 3. Patricia McAuley (2012 to 2014) 4. Arthur Moir (2014 to 2016) 5. Christine Farrell (2016 to date)
NICS - Collaboration - Provision of Agency Workers	4 years	6 December 2016 to 5 December 2020	Premiere People Kennedy Recruitment Staffline Hays MPA Recruitment	N/A	Published value: £105m Spend to date: £145m	No	Sharon Smyth	1. Sharon Smyth (December 2016 to present)

All other Departmental contracts – live contract valued at £50m+

NIL RETURNS FROM:-

Department of Education
Department of Health
The Executive Office

CONTRACT DETAILS PROVIDED FOR FOLLOWING DEPARTMENTS:-

Department of Agriculture, Environment and Rural Affairs
Department for Communities
Department for Economy
Department for Infrastructure
Department of Justice

Department: DAERA live contracts valued at £50m+

ANNEX B

Name and type of contract	Original contract length	Start date, break dates and end date	Service provider name	Details of any extension period and reasons why it was extended	Original cost versus cost to date	Whether or not open book accounting forms part of the contract	Name of current SRO	Number of SROs since contract start
Digital Development Services & Solutions	3 year with three, two year options to extend	22 August 2018	Neueda Consulting Ltd	n/a	£90m with £150 headroom Cost as at 30 September 2020) £22.8m	Y	Paul McGurnaghan	1

Department: Communities live contracts valued at £50m+

ANNEX B

Name and type of contract	Original contract length	Start date, break dates and end date	Service provider name	Details of any extension period and reasons why it was extended	Original cost versus cost to date	Whether or not open book accounting forms part of the contract	Name of current SRO	Number of SROs since contract start
Post Office card account (DWP are the owner of this contract and DfC are one of several GB Government departments who are part of this contract)	7 Years + 2 Year extension	December 2014 to November 2021	Post Office Limited	N/A	DWP Contract is worth £250m DfC are part of this contract and DfC Original predicted costs of £17.1m Spend to date: £19m	Yes	Linda Williams	6

<p>Medical Support Services Contract</p>	<p>7 years with option to extend for 3 years (19 June 2021). However contract subsequently extended a further 6 weeks to 31 July 2021 to co terminate at the same time as the PIP contract</p>	<p>June 2011 to June 2018 Extension June 2018 to June 2020 Extension June 2020 to July 2021</p>	<p>Atos</p>	<p>2 year extension agreed in June 2017 to align with DWP contract with CHDA/Maximus, as alignment with any future MSS procurement that DWP carry out would benefit DfC both practically and economically.</p> <p>A business case was then approved to avail of the provision for a further one year plus a 6 week extension period to the 31 July 2021 to align with the expiry date of the equivalent DWP Health & Disability Assessment</p>	<p>The total costs to March 2020 was £83.41m.</p> <p>The forecast total costs is £106.99m</p>	<p>Yes</p>	<p>Linda Williams</p>	<p>6</p>
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				Service (HDAS) and PIP contracts.				
Contract Purchase Agreement - Personal Independence Payment Assessment Service	Original Contract term was for 5 years (with option to extend for a further 2 years) i.e. 20 Nov 12 - 19 Nov 19. Contract was subsequently extended to July 2021.	November 2012 to November 2017. Extension from November 2017 to July 2019. Extension from August 2019 to July 2021	Capita	In November 2012, Capita was awarded a 5 year PIP contract in NI (with the option to extend for a further 2 years), valued at £59.2m. It was originally anticipated that Capita would begin delivering services from July 2013, however this was delayed until June 2016 after the Welfare Reform Bill successfully completed its passage through the NI Assembly. Following	From November 2012 to July 2019 - contract value £88.2m - actual spend £80.6m From August 2019 to September 2020 - Contract extension value £18.1m - actual spend £17.6m Total Original Cost to date £106.3m Actual cost to date £98.2m	Yes	Linda Williams	6

			<p>commencement of the live service in GB, it quickly became apparent that the contracts were not commercially viable as the original assumptions provided at the procurement stage, particularly the length of time taken to complete a PIP assessment, transpired to be incorrect. In line with DWP, the Department undertook a subsequent contract review with Capita. This review resulted in revised assumptions, the contract being extended</p>			
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				<p>for a further 1 year and 8 months, and an increased contract value of £88.2m. In 2017 the Department, working in partnership with DWP, began work to procure a new assessment provider to deliver the service from August 2019. However, after engagement with the wider market the procurement was cancelled, primarily as there was not sufficient time for suppliers (other than the incumbents) to develop/provide a supporting</p>				
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				IT solution to deliver the service. As a result, both DWP and DfC extended their health assessment contracts until July 2021 to allow time for DWP to begin developing an IT solution that would replace the incumbent's IT, and would reduce incumbent advantage in future procurements. This extension was valued at £32.5m.				
Heating Services Contract - Lot 2, Belfast Region 2	4 years +2 + 2	1 November 2017 to 31 October 2021 - end date 31 October 2025	Engie (Contract novated from Carillion)	N/A	Original cost: £84m Cost to date: £23.4m	Open book accounting does not form part of the contract. However, NIHE	Paul Isherwood	1

						reserves the right of audit and inspection of all contracts.		
Heating Services Contract - Lot 4, South Region 2	4 years +2 + 2	1 November 2017 to 31 October 2021 - end date 31 October 2025	H&A Mechanical Services Ltd	N/A	Original cost: £61m Cost to date: £13.2m	Open book accounting does not form part of the contract. However, NIHE reserves the right of audit and inspection of all contracts	Paul Isherwood	1
Heating Services Contract - Lot 6, North Region 2	4 years +2 + 2	1 November 2017 to 31 October 2021 - end date 31 October 2025	H&A Mechanical Services Ltd	N/A	Original cost: £60m Cost to date: £15.2m	Open book accounting does not form part of the contract. However, NIHE reserves the right of audit and inspection of all contracts.	Paul Isherwood	1

Response Maintenance Repairs Frameworks 2016 - Lot 2 Belfast Region 2 - South & East Belfast Area	4 years +3 + 3	1 August 2016 to 31 July 2020 - end date 31 July 2026	Engie (Contract novated from Carillion)	24 months to 31 August 2022	Original cost: £164.5m Cost to date: £20.9m	Open book accounting does not form part of the contract. However, NIHE reserves the right of audit and inspection of all contracts.	Paul Isherwood	1
Response Maintenance Repairs Frameworks 2016 - Lot 4: South Region 2: South Area (excluding Craigavon), Mid Ulster & South West Area	4 years + 3 + 3	1 August 2016 to 31 July 2020 - end date 31 July 2026	Combined Facilities Management	24 months to 31 August 2022	Original cost: £192m Cost to date: £25.7m	Open book accounting does not form part of the contract. However, NIHE reserves the right of audit and inspection of all contracts.	Paul Isherwood	1

Response Maintenance Repairs Frameworks 2016 - Lot 6 North Region 2 - Causeway (excluding Coleraine) & West	4 years + 3 + 3	1 August 2016 to 31 July 2020 - end date 31 July 2026	Combined Facilities Management	24 months to 31 August 2022	Original cost: £176m Cost to date: £32.8m	Open book accounting does not form part of the contract. However, NIHE reserves the right of audit and inspection of all contracts.	Paul Isherwood	1
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Department: Economy live contracts valued at £50m+

ANNEX B

Name and type of contract	Original contract length	Start date, break dates and end date	Service provider name	Details of any extension period and reasons why it was extended	Original cost versus cost to date	Whether or not open book accounting forms part of the contract	Name of current SRO	Number of SROs since contract start
Project stratum - Provision of Broadband Services	Build to Dec 2023 + 7 years in life	November 2020	TBC - contract award is imminent, but has not yet been made.	N/A	Original cost to DfE £150m + £15m from DAERA	Yes	Diarmuid McLean/Paul Grocott	5
DfE Training for Success 2017 Programme	2 years	1 August 2017 to 31 July 2021	Please note this programme has 16 contracted training organisations. In addition, the 6 Further Education Colleges deliver TfS via SLA arrangements	2 x 1 year extensions. These training services were still required by the Department, implementation of new programmes have been delayed due to Covid	Initial Business Case Cost £167.5m. Addendum Business Case Cost £108.7m. Actual spend to date £88.2m	Open book was included as part of the supplier relief variations. Previously CPD's standard conditions of contract used, including audit clauses	Jim Wilkinson	1

Apprenticeships NI 2017	2 Years	1 August 2017 to 31 July 2021	Please note this programme currently has 21 contracted training organisations (plus 7 FE colleges delivering services via SLA arrangement).	2 x 1 year extensions. These training services were still required by the Department.	Business Case Cost £90.9m. Actual spend to date £30.1m	Open book was included as part of the supplier relief variations. Previously CPD's standard conditions of contract used, including audit clauses	Jim Wilkinson	1
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Department: Infrastructure live contracts valued at £50m+

ANNEX B

Name and type of contract	Original contract length	Start date, break dates and end date	Service provider name	Details of any extension period and reasons why it was extended	Original cost versus cost to date	Whether or not open book accounting forms part of the contract	Name of current SRO	Number of SROs since contract start
Parking Enforcement	10 years	1 November 2012, 1st Break - 1 Nov 2016, 2nd Break - 1 Nov 2019, End Date - 31 Oct 2022	NSL	Extensions follow the contract (4 + 3 + 3 years)	Original Contract Value £80m Spend to date approx £64m	Yes	Deidre Mackle	5

Term Contract for Asphalt Resurfacing (Ards, Down, Newry & Mourne) Call off Contract for individual Works Orders up to £350k.	6 years	July 2013, First break date July 2016, End date July 2019	Gibsons (Banbridge) Ltd & TH Moore (Contracts) Ltd Joint Venture	Extensions followed the contract (3+1+1+1years). Further extensions from July 2019 to January 2021 for several reasons, including a challenge to the tender process in March 2019 and delays in developing replacement tender, including CoVID.	Original Contract Value £45.5m Spend to date £49.3m	No	John Irvine	3
Roads - DBFO Package 1, Upgrade of the motorway network into Belfast from the North and South, as well as the enhancement of the Westlink. Ongoing Operational	30 years	Start date 3 February 2006 to 2 February 2036	Highway Management (City) Limited	N/A	N/A for DBFO: £162m Construction Spend to date £498m	No	Conor Loughrey	5

and Maintenance Costs.								
Roads - DBFO Package 2, Upgrade of A4 between Dungannon and Ballygawley; A1 Junctions between Sprucefield and Loughbrickland , A1 between Sprucefield and Cloghogue. Ongoing Operational and Maintenance Costs.	30 years	Start date 16 November 2007 to 15 November 2037	Amey Roads NI Limited	N/A	N/A for DBFO: £252m Construction/ Spend to date £966m	No	Conor Loughrey	4
A5 WTC Main Contract Section 1 New Buildings to South of Strabane	ECI 2 Stage ¹	Award Date 7 December 2009 Has not moved to Stage 2	BBM JOINT VENTURE	None	£192m contract value £8.3m spend to	Yes	John Irvine	3

		Construction			date			
A5 WTC Main Contract Section 3 South of Omagh to Ballygawley	ECI 2 Stage ¹	Award Date 7 December 2009 Has not moved to Stage 2 Construction	GRAHAM FARRANS JOINT VENTURE	None	£222m contract value £9.6m spend to date	Yes	John Irvine	3
A5 WTC Main Contract Section 2 South of Strabane to South of Omagh	ECI 2 Stage ¹	Award Date 7 December 2009 Has not moved to Stage 2 Construction	ROADBRIDGE SISK MCWILLIAMS JOINT VENTURE	None	£186m contract value £2.6m spend to date	Yes	John Irvine	3
A6 Randalstown to Castledawson Dualling	ECI 2 Stage ¹ : Construction on Contract 4 years	Award Date 1 May 2015 Moved to Stage 2 Construction 13 June 2017 Programmed Completion date 28 April 2021	GRAHAM FARRANS JOINT VENTURE	9 weeks extension due to Covid-19	£142m contract value £146m spend to date	Yes	David Porter	2

A6 Dungiven - Drumahoe Dualling	179 weeks	Award Date 28 March 2018 Programmed Completion Spring 2022	SACYR WILLS SOMAGUE JV	None	£171m contract value £113m spend to date	Yes	David Porter	2
DVA ICT Strategic Partner	7 years (+3)	8 March 2019 to 7 March 2026 (7March 2029)	Fujitsu	N/A	£60m (£4.7m to date)	Yes	Mike Beare	1

Note: 1. The advancement of the ECI Contract is dependant on funding being made available to deliver the Stage 1 Design and Stage 2 Construction Phases. The contract length is therefore not determined at date of contract award.

Department: Justice live contracts valued at £50m+

ANNEX B

Name and type of contract	Original contract length	Start date, break dates and end date	Service provider name	Details of any extension period and reasons why it was extended	Original cost versus cost to date	Whether or not open book accounting forms part of the contract	Name of current SRO	Number of SROs since contract start
Barracuda Harmonisation	15 years	31 October 2001 to 31 March 2024	Information not published	5 year extension	£56.1m £49.5m	N	Not published	2
Core IT Managed Service	3 years	1 May 2016 to 30 April 2023	Information not published	Option for 2 x 2 years	£100m £47m	Y	Not published	2
Security & Operational Support Services	3 years	7 March 2018 to 6 March 2021	Information not published	Option for 2 x 2 years	£97m £33.3m	Y	Not published	1

1. BACKGROUND

Under Managing Public Money NI (MPMNI), the standard approach to setting charges for public services (including those supplied to another public sector organisation) is full cost recovery. For Land Registration, the Department uses a forecast cost model which is built on future income and expenditure projections. This model is used to determine the transaction fees charged by the Land Registry, which are set in Fees Orders that are revised from time to time. In preparing a new Fees Order, the aim is to determine fees that will cover the full cost of delivering the Land Registration Service without generating excessive surpluses.

The current Fees Order was put in place in 2014. The NIAO has stated that it is out of dates and a revised Fees Order needs to be put in place as a matter of urgency.

While there remains some uncertainty around the levels of Land Registration expenditure over the next two to three years, the range of plausible scenarios is quite narrow and the figures will become clearer within a relatively short time.

By comparison, even in 'normal' market conditions it is much more difficult to predict income levels due to the uncertainty in the market and the possible impacts of that uncertainty on Land Registration transaction volumes. The impact of Covid-19 has significantly changed the forecast outlook for transaction levels in the property market and exacerbated the difficulty of projecting market activity.

2. INFORMATION CURRENTLY AVAILABLE TO LAND REGISTRY

Stakeholder Engagement

Engagement has taken place with the following stakeholders:

- UK Finance
- NI Lenders Group
- Property Pal
- DfC Housing Panel
- University of Ulster
- NICS Economist

None of the stakeholders have been willing to commit to predictions on the direction of the property market. The threat of a second or third wave of coronavirus, Brexit and an uncertain economy continue to contribute to an unstable picture and stakeholders feel it is too early to make judgements about the behaviour of the market. Best estimates are that market trends may stabilise towards the end of Quarter 2 in 2021.

Land Registry activity April to July 2020

Application numbers were very low in April and May due to the impact of the COVID-19 restrictions. There was a significant increase in June as postponed transactions were submitted and July settled back to a position similar to July 2019 (July is typically a quiet month).

Altogether, Land Registry income for the period April to July 2021 is £4m lower than the same period last year and the difference is expected to become larger as the year progresses.

Pattern of activity after the 2008 recession

Table 1 below shows transaction volumes between 2006/07 and 2018/19.

Table 1: Land Registration transaction volumes 2006/07 to 2018/19

Year	Transaction volumes	Inc/dec	% Inc/Dec
	'000	000	000
2006/07	2,870		
2007/08	2,769	-101	-4%
2008/09	2,136	-633	-23%
2009/10	1,881	-255	-12%
2010/11	1,916	35	2%
2011/12	2,019	103	5%
2012/13	2,176	157	8%
2013/14	2,276	100	5%
2014/15	2,422	146	6%
2015/16	2,310	-112	-5%
2016/17	2,380	70	3%
2017/18	2,434	54	2%
2018/19	2,520	86	4%

In 2008/09 (highlighted yellow in the table) the economy went into recession. The impact of the recession for Land Registration resulted in a sharp drop in demand and income in the year of the recession and the following year 2009-10. The lower transaction volumes remained for the following two years before recovery started in 2012/13. Table 2 shows the impact of the 2008 recession in terms of the year-on-year change in transaction volumes.

Table 2: Historic impact of Recession

	2020-21	2021-22	2022-23
Year-on-Year Impact on Transaction Volumes	Decrease 23%	Decrease 12%	Increase 2%

OBR Economic forecasts

The office of Budget Responsibility published its latest Coronavirus scenarios on 14 July. These provide projections of percentage change in real GDP and

unemployment rates for ‘upside’, ‘central’ and ‘downside’ scenarios. Table 3 sets out the July 2020 scenarios.

Table 3: OBR July 2020 economic projections

	Upside scenario	Central scenario	Downside scenario
Real GDP in 2020 (percentage change on previous period)	-10.6	-12.4	-14.3
Peak unemployment rate (per cent)	9.7 (Q3 2020)	11.9 (Q4 2020)	13.2 (Q1 2021)

Government interventions

The recent announcement on Stamp Duty, moving the threshold from £125,000 to £500,000 until 31 March 2021, is expected to have a positive impact on the housing market. However, first time buyers make up one third of the market and pre-Covid many first time buyers did not purchase a home expensive enough to be charged stamp duty.

Market intelligence

Available analysis/commentary on what has happened since the start of the year is as follows:

- 23% decrease to the first quarter 2020/21 – University of Ulster (Northern Ireland analysis)
- 79% decrease in the first two months 2020/21 – Property Pal (Northern Ireland analysis)
- 38% decrease in the first quarter 2020/21 – Frank Knight (UK analysis)

Market forecasts

The property market is influenced by two factors; the economy and the availability of lending:-

- **Economy.** The UK is now in the deepest recession on record. Unemployment is expected to rise as the furlough scheme winds down. The working from home revolution and the way the pandemic has hit certain industries makes the future very uncertain and difficult to predict.
- **Availability of lending.** Between March and August the number of available mortgages has more than halved. Low deposit mortgages have all but disappeared and those that have come back to the market have tighter credit conditions. Incomes are likely to reduce and house prices fall. A long term financial downturn will mean lenders will seek to protect themselves even further against borrowers being unable to pay.

The market outlook forecasts by Rettie & Company (for Scotland) and Savills (for the UK) are detailed in Table 4 below. While they are not Northern Ireland specific, this gives an indication of the general sentiment of market expectations.

Table 4: Economic forecasts – year on year percentage change in property market (decrease)/increase

Source Information	2020-21	2021-22	2022-23	Cumulative
Rettie & Company	(35%)	20%	5%	(10%)
Savills	(36%)	(10%)	12%	(34%)

At this point in time, the economic outlook is uncertain. All forecasts are predicting a drop in the market, but there is little certainty on either the scale of the expected drop or how long this will last for. Economists have said that they expect the market could drop by between 10% - 34% over the next several years. Other Land Registrars in the UK and Ireland think this is optimistic and have already reduced their expected income by between 50% and 56% for this financial year.

Table 5: Other Land Registrars predictions

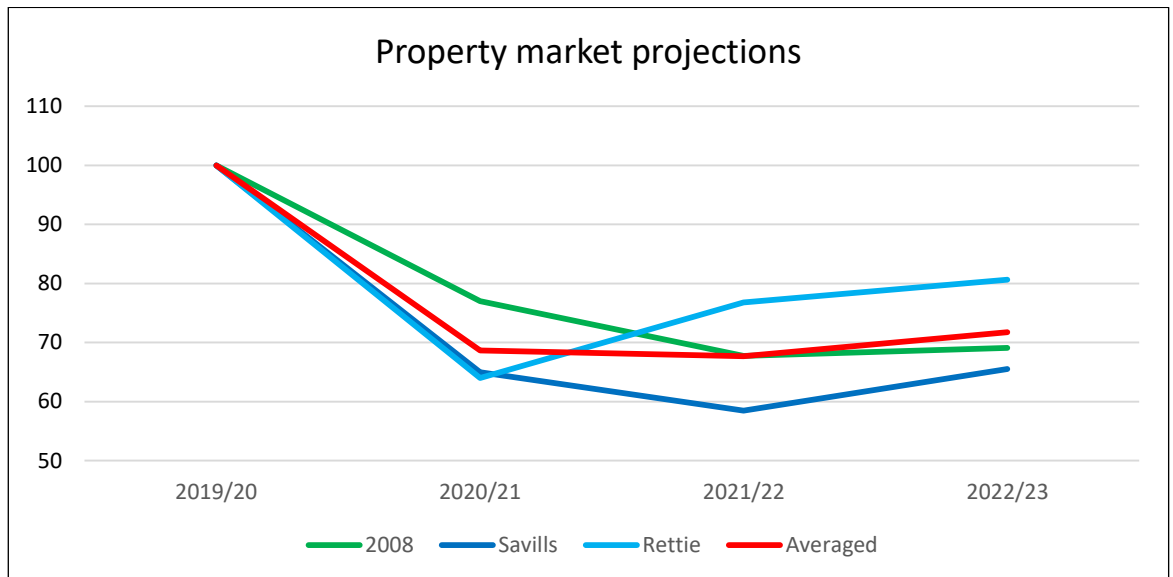
Land Registrar	2020-21	2021-22	2022-23
Scotland	50% decrease	Unknown	Unknown
Republic of Ireland	50% decrease	Unknown	Unknown
Isle of Man	56% decrease	Unknown	Unknown

3. LPS ANALYSIS

There are two factors that Land Registry need to make a judgement needs on:

- (a) The size of the initial decrease in transaction volumes (and therefore income) in 2020/21 due to Covid-19; and
- (b) The trajectory of the market in 2021/22 and 2022/23. This could potentially follow any pattern between a V-shaped curve (a large sharp decline followed by a rebound to previous levels within a short timeframe) and an L-shaped curve (a large sharp decline followed by stagnation for several years).

On the basis of the information in Section 2, the average prediction for transaction volumes in the current financial year is a decrease of around 32% compared to 2019/20. Averaging out the two projections that are available for 2021/22 and 2022/23 indicates an L-shaped curve with activity levels in 2021/22 matching 2020/21 and a modest increase around 6% the following year (the red line in the chart below).



4. ANALYSIS REQUESTED

Given that the level of Land Registration fees is both highly significant to the LPS budget position and of public and political interest (particularly following the publication of the NIAO report on 16 June), it would be useful to have an independent assessment of the possible trajectory of the market in Northern Ireland before committing to an income assumption in the Forecast Cost Model.

In particular, it would be useful to get:

- (a) information any economic assessments or market intelligence in addition to those which have been mentioned in section 2 of this paper;
- (b) scenarios for economic activity and unemployment over the next two to three years that are specific to Northern Ireland (the OBR forecast is for the whole of the UK);
- (c) based on patterns from previous economic cycles, an assessment of what the economic scenarios could mean for activity in the property market, both in terms of transaction volumes and house prices;

- (d) an analysis of any ways in which the current Covid-19 situation is unlike previous recessions which may suggest that caution is needed when considering historic patterns; and
- (e) based on the above, indicative projections (in a range of possible values) of:
- The size of the initial decrease in market transactions in 2020/21; and
 - The trajectory of the market activity in 2021/22 and 2022/23.

Open Book Accounting – clarification on independent audit; work done by Department; provision of accounts and Department’s considerations of them

Clarification on independent audit

The NI Direct Strategic Partnership Contract complies with Open Book Accounting. Annual statements of revenues and costs are independently audited and submitted by BT. The auditor has stated that they have completed the audit in accordance with the International Standards on Auditing (UK) issued by the Auditing Practices Board for all financial years to date.

The annual independent audit certifies that the (NI Direct) project accounts:

- Give a true and fair view of the contract profit and loss for the period; and
- Have been prepared in accordance with accounting principles generally accepted and applied within the United Kingdom.

and states that there are no matters arising which should be reported by exception.

Provision of accounts and the Department’s considerations of them

Annual project accounts for all accounting periods, inclusive of the year 31 March 2020, as required in the NI Direct Agreement have been provided to the Department.

The annual project accounts have been independently audited by GMcG Chartered Accountants Group Limited.

Departmental officials have assessed these project accounts and find them to meet the requirements of the contractual provision relating to their preparation, format and assurance.

The Department is currently assessing the latest set of accounts for the period ending on 31 March 2020 to ensure it is satisfied regarding any entitlement under the Gain Share mechanism. It is also corresponding with BT regarding the provision of the annual project accounts to the NIAO.