

Memorandum to the Public Administration Select Committee

Government Response to the Public Administration Select Committee's report: Government and IT – “a recipe for rip-offs”: time for a new approach: Further Report, with the Government Response to the Committee's Twelfth Report of Session 2010 - 12

March 2012

Introduction

1. The Public Administration Select Committee (PASC) published its report *Government and IT – “a recipe for rip-offs”: time for a new approach: Further Report, with the Government Response to the Committee's Twelfth Report of Session* on 26 January 2012. The Government welcomes the Committee's interest in and support for government Information and Communication Technology (ICT). ICT is vital for the delivery of efficient, cost-effective public services which are responsive to the needs of citizens and businesses. The Government's ICT Strategy set out how the Government ICT landscape would change over the current spending review period, and included 30 actions which form the foundation activities for achieving the Strategy's core objectives of:
 - reducing waste and project failure, and stimulating economic growth;
 - creating a common ICT infrastructure;
 - using ICT to enable and deliver change; and
 - strengthening governance.
2. The Government published a Strategic Implementation Plan in October 2011, which set out how the ICT Strategy would be translated into action and outlined how implementation of the strategy would be managed as a portfolio of 19 individual delivery areas with Senior Responsible Owners from the CIO Delivery Board providing oversight and driving delivery of strategy commitments.
3. Responses to the Committee's further recommendations are set out below.

Oligopoly of large suppliers and benchmarking

Paragraph 2 page 7

The Cabinet Office's commitment to benchmarking through transparent data, as outlined in the Government's response, will help to quantify the gap between high and low cost products and services, but without the independent external advice which we recommended to identify reliable cost comparisons, the overall outcome will not change, and the Government will not achieve its cost reduction agenda.

Government is committed to creating a fairer, more competitive and open marketplace from which it buys its ICT services and solutions. Government is in the process of breaking the contractual lock-in which places the majority of government ICT business with a small group of major systems integrators. This process will remove exclusivity from the contracts, and rigorously record every contractual breach. It will also gather data centrally on the performance and pricing of all suppliers to provide a consolidated view of their competitiveness and performance.

In parallel, Government is consulting on new frameworks that will enable more agile procurement, and open the market to more Small to Medium Enterprises (SMEs). Some existing frameworks are not in alignment with government policy, and are limited to existing large suppliers. These frameworks will be deprecated in favour of new frameworks that support re-introducing greater competition into the provision of ICT goods and services. Doing so will remove the current advantage enjoyed by the existing large supplier base in order to re-establish a truly level playing field.

The recent work to restructure the current ASPIRE contract demonstrates how government is working to ensure better value for taxpayers, break up large contracts and create opportunities for new, smaller companies to enter the market. HM Revenue and Customs (HMRC) and the Cabinet Office negotiated with the IT supplier, Capgemini, to deliver a significant restructure of the current ASPIRE contract and savings for HMRC. The new deal reached will lead to a diverse supply chain with transparent pricing (removal of the current exclusivity agreement), open choice for HMRC and significantly enhanced value for money. By 2017 the new deal will help deliver:

- **Cost savings:** £200 million saved by paying less per unit of IT services provided and potential for further savings by open competition, volume reductions and direct relationships between HMRC and subcontractors;
- **More freedom:** HMRC will now have more control to run open competitions for its IT needs, enabling more opportunities for innovative SME suppliers and greater control over the volume of work going through the contract;
- **Greater transparency:** transparency in pricing is enhanced further to assist with value for money comparisons; and
- **Future Model** - a future model that breaks lock-ins and gives HMRC the flexibility and control to drive its own savings and innovation.

Government is working to improve the quality of its ICT management information. One example of substantive progress is the recent G-Cloud framework which requires all suppliers to openly publish full details of their pricing (see <http://www.govstore.net/>). In addition to this transparency, the pricing levels achieved for provision of these services are being used as benchmarks against which incumbent suppliers are being measured. Government expects all supplier costs to be reduced to match or better these benchmarks, producing substantial cost reductions. A project is also beginning to gather information on contracts data for all current ICT suppliers and departmental benchmarking of ICT unit price data. The unit price benchmarking will build on a tool established within HMRC which, following a year of use, provided HMRC with a detailed breakdown of costs relating to IT and helped the department realise many benefits including £24m savings and a 30% reduction in the number of confidential desktops.

The National Audit Office has recommended that the tool be rolled out further across government. This project will provide the opportunity to benchmark across government, and also enable external independent reviews to measure comparability with private sector peers. The Government's intention is also to publish as much of this data for public scrutiny as possible. It is looking to embed this approach in its handling of all its large suppliers, including software developers.

The Government will also shortly be announcing a new memorandum of understanding with Oracle that will show how its new, commercially aware, intelligent customer approach will deliver financial and significant operational benefits.

Legacy systems

Paragraph 3 page 7

We are not convinced that the Government's approach to legacy systems properly addresses the underlying issues. At the very least, the Government should produce a long term risk-register identifying where and when investment will be needed to migrate and replace existing legacy systems. We expect to return to this issue in a later inquiry.

The Government has recognised the challenge it faces in delivering services with both new and older systems. It is right to ensure that departments have a range of credible options regarding the choices they make about their legacy systems. Different circumstances will require different options. Departments, which understand in detail both the business functions provided by their systems and the technical constraints that act upon them, are best placed to determine the appropriate option. All departments will be producing plans to show how their systems will conform over time to the Government's ICT Strategy principles, objectives and standards. These will be subject to challenge and co-ordination to ensure that they result in a viable plan for Government as a whole.

All major commitments to expenditure, whether in "wrapping" legacy systems to enable their continued use or in implementing new systems to provide the necessary business functions, will be subject to appropriate spending controls and approvals. Assessments at this stage will take account of relevant factors including value, cost, budgetary constraints and risk.

Capability within Government

Paragraph 4 page 7

We welcome and endorse the Government's acknowledgement of the need to grow its capacity in commercial skills of procuring and managing contracts, not just technical IT skills, in order to become an 'intelligent customer'. Specific training for the Senior Civil Service in technology policy will also be welcome, as will the growth of a network of 'champions' of agile development. However, it is not clear from the Government's response to our report that its actions will be adequate to cope with the scale of behavioural and process change required across the whole of Government, nor that the agile 'champions' will have sufficient seniority, expertise or support.

The Government recognises that raising commissioning and procurement skills is vitally important to get better outcomes for the taxpayer and to stimulate growth through public procurements, including greater use of SMEs. It has already developed new LEAN standard operating procedures for central government underpinned by training available for all civil servants. It is now working on similar improvements for contract and supplier management and commissioning. The Cabinet Office has also been piloting a two-way commercial interchange programme with industry to bring private sector expertise into Government. Civil Service Learning (CSL) is currently developing a suite of training on commercial awareness which will be available to all Civil Servants via the CSL portal in spring/summer 2012.

In parallel, the Government is determined to return world-class Project Leadership capability to Whitehall to improve the delivery of the Government's £400 billion portfolio of Major Projects, which includes ICT projects. In order to achieve this, the Major Projects Authority has established the UK Major Projects Leadership Academy (MPLA), in partnership with Oxford Saïd Business School, to target the SROs and Project Directors leading the Government's Portfolio. The key focus of the MPLA will be on leadership, business acumen and commercial expertise from both an academic and practical angle and will include lessons learned from previous major projects including ICT projects.

Part of the Academy programme will involve an assessment of capability and previous experience of Project Leaders, with a tailored development plan designed

for each individual. This will ensure that there is a clear picture of the capability within the Civil Service and inform decisions of where to best deploy their expertise.

The Government fully recognises the point that agile "champions" may not have sufficient seniority, expertise or support and are working on identifying and putting in place senior Agile Leads within departments to drive and embed the behavioural and process change required to make this a success.

Innovative service provision

Paragraph 5 page 7

There are obvious areas in which the Government could go further and move faster to implement 'digital by default'. For example, officials should be rewarded for using social media and digital channels to disseminate information and provide services (especially where this reduces reliance on other, more expensive channels). User feedback submitted via the Directgov site provides the Government with a great deal of free data on the strengths and weaknesses of its service provision. The Government must make good use of it, alongside other information from social media produced outside Directgov itself, to understand better how its services are used and perceived and, in turn, to design better services.

Government Digital Service (GDS) are building a single domain for government known as [GOV.UK](https://www.gov.uk), which will provide better, simpler, more accessible information for citizens and will be cheaper and easier to operate for Departments. The GDS will also develop a global experience language (GEL) to provide clear, consistent design, user-experience and brand clarity for users. This will also include a standard set of guidelines for government Application Programme Interfaces (APIs).

The GDS has used social media (principally Twitter and Get Satisfaction) to get feedback on the alpha and beta versions of [GOV.UK](https://www.gov.uk) website and the team regularly blog about the development. The GDS is engaging with departments to accelerate their digital by default and channel shift plans using relevant social media and digital channels. GDS is working with departments to fundamentally change the way their policy teams think of social media. GDS are promoting the use of social media to not only gather feedback from their audience (like Directgov is doing), but to also use it

as a means to deliver services or policy objectives thus making significant expenditure savings.

As outlined in the *Making Open Data Real* consultation, the Government is considering how user feedback can be integrated into the design, delivery and continuous quality improvement of public services. Internet-based tools are likely to be an important channel for collecting and reporting user feedback and we will continue to look at how we can encourage the development of this critical source of data from citizens.