



House of Commons
Public Administration Select
Committee

**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**

Twentieth Report of Session 2010-12

*Report and Appendices, together with formal
minutes*

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The Public Administration Select Committee (PASC)

The Public Administration Select Committee is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, which are laid before this House, and matters in connection therewith, and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.

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1 Government and IT – “A recipe for rip-offs”: Further report

1. We reported to the House on *Government and IT – “A recipe for rip-offs”: time for a new approach* in our Twelfth Report of Session 2010-12, published on 28 July 2011 as HC 715. We received the Government response to that report in late October 2011.¹

2. In our report, we expressed concern about the Government’s over-reliance on an “oligopoly” of large suppliers; the costs and risks arising from skills gaps within Whitehall; the problems arising from legacy information technology (IT) systems; and weaknesses in the Government’s capacity to plan and drive through wholesale change in the way it uses and exploits IT in delivering public services.

3. We also explored some possible ways in which the delivery of public services online could be reformed—and transformed—through a combination of data release, giving individuals control of their own personal records, engaging users (both within and outside Government) in the design of services, and opening up the online delivery of services to a wider range of organisations.

4. We have deferred publication of the Government’s response until now in order to take advice on the Government’s progress. In December 2011, the National Audit Office published its first review of the Government’s progress in implementing its Information and Communications Technology (ICT) strategy (the NAO report).² We have found the NAO report very helpful in considering the Government’s response to our report. We also sought the views of Professor Helen Margetts at the Oxford Internet Institute, University of Oxford, a witness to our initial inquiry and of Professor Patrick Dunleavy and Jane Tinkler of the Public Policy Group, London School of Economics; and of Dr Mark Thompson of the Judge Business School, University of Cambridge. We are grateful to all of them for their assistance. Their advice to us is appended to this report.

5. We commend the Government for its generally constructive and proactive response to our report.

6. In its response, the Government outlines substantial positive activity to address the well-known and historic problems associated with government IT projects, and we are encouraged by the NAO’s finding that “the leadership, governance and compliance mechanisms for delivery are different to those from the past and have the potential to deliver benefits”.³ This is a promising start to a programme described by the Public Accounts Committee as ‘very ambitious’.⁴

1 The Government’s response is printed as Appendix 1 to this Report.

2 National Audit Office, *Implementing the Government ICT Strategy: six-month review of progress*, HC (2010–12) 1594

3 *Ibid.* para 7

4 Public Accounts Committee, Fortieth Report of Session 2010–12, *Information and Communications Technology in Government* (HC 1050)

7. The Government appears to have maintained this initial momentum in implementing its IT strategy. The NAO report found that the majority of actions due for completion by September 2011 had been delivered on time, with only two out of 17 delayed.⁵ The Government's response suggests that the Government is also taking concrete action to address almost all the points and concerns identified in our Report.

8. In its response, the Government explicitly agrees with almost two thirds of our report's recommendations. However, this also serves to highlight those areas where the Government's response fails to engage with some of our recommendations, particularly around benchmarking, legacy systems and capacity/capability gaps. We urge the Government to produce further detail, and a more coherent demonstration of how the various initiatives discussed in the report will work together to progress the wider strategic issues identified in our report. Effective leadership, and clear and specific implementation plans, will be crucial in ensuring that officials across Whitehall understand why they are being asked to do things differently, as well as how, if new ways of working are to be embraced and understood for the long term. The Cabinet Office is not itself a large IT-using department, and historically it had struggled to drive change within those departments with long-standing and deeply embedded relationships with large suppliers.⁶ We understand from the NAO report that awareness of the aims and benefits of the Strategy amongst senior civil servants outside the IT profession also remains low.⁷ In line with our recommendation for a stronger centre of government, we look to the Cabinet Office to be more proactive and engaged with departmental IT programmes.

9. We will continue to follow the Government's implementation of its IT Strategy with keen interest, as it touches on our other areas of interest in the Big Society, civil service skills in procurement and commissioning, and the growing links between the public, private and voluntary sectors.

Oligopoly of large suppliers and benchmarking

10. We reported on allegations about anti-competitive and collusive behaviour by some large suppliers, and we recommended that the Government establish an independent external investigation to determine whether there is substance to these claims. We are disappointed that the Government does not address this recommendation in its response, and we expect to return to this point in a future inquiry.

11. We also concluded that a lack of up-to-date and accurate information about government IT made it impossible for the Government to identify potential overcharging, leading to the waste of an obscene amount of public money. In addition to an independent investigation into allegations of cartel-like behaviour, we recommended that the Government work with "independent and specialist advisers and the NAO" to "seek to identify reliable and comparable cost benchmarks, and collect accurate information from

5 National Audit Office, *Implementing the Government ICT Strategy: six-month review of progress*, HC (2010–12) 1594, para 4.3

6 Dr Mark Thompson, University of Oxford, Appendix 3 para 3

7 National Audit Office, *Implementing the Government ICT Strategy: six-month review of progress*, HC (2010–12) 1594, para 2.16

departments in order to compare with those benchmarks.”⁸ **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.**

Legacy systems

12. The Government’s proposal to put ‘wrappers’ around legacy systems so that they can continue to be used within a new common ICT infrastructure avoids the core of our recommendation that it develop a strategy to deal with issues arising from legacy systems. Many existing legacy systems are large, and business-critical to the work of departments: changes to them are complex, expensive and risky. We understand that most such systems are already patchworks of overlapping ‘wrappers’, reflecting previous efforts to deal with the issue in a similar way.⁹ Such ‘wrappers’ are not a long-term solution: maintaining and integrating these systems is extremely costly for the departments involved, and reduces, rather than increases, the scope for flexible service provision. Although dealing with legacy issues has up-front costs and risks, these risks can be mitigated by dual running of old and new systems, and staged migration to the new systems. Risks associated with maintaining ageing systems indefinitely are hard to quantify or to mitigate. There are also likely to be cost-savings to be made from decommissioning and replacing old systems with newer, more modern and streamlined systems.¹⁰ **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.**

Capability within Government

13. Our report found a number of gaps in the Government’s IT skills and capacity. Government must integrate procurement and management of IT contracts. It must also integrate IT considerations into the policy-making process, to reflect the aim of making public services ‘digital by default’.

14. Much Government IT expertise was outsourced in the 1990s. The Government now lacks a cadre of high-quality in-house IT professionals. In our report, we commended the Government’s developing Technology in Business Fast Stream, which aims to build this capability. We are grateful for the Government’s update on the progress of this scheme. We note the new ICT Capability Strategy published in October 2011 offers a ‘blueprint’ for career development within the wider Government IT profession.¹¹

8 Public Administration Select Committee (PASC) Twelfth Report of Session 2010-12, *Government and IT – “A recipe for rip-offs”: time for a new approach*, (HC 715-I) para 20

9 Professor Helen Margetts, Oxford Internet Institute, University of Oxford et al, Appendix 2

10 Dr Mark Thompson, University of Cambridge, Appendix 3 paragraph 5(d); and Professor Helen Margetts et al. Appendix 2

11 Cabinet Office, *ICT Capability Strategy* (October 2011)

15. These are long-term measures, which will not address current needs. The recent NAO report found that the Government had not yet established a baseline for the ICT professional resources required in order to implement its ICT Strategy, and key immediate skills gaps remained.¹² It also lacked a resource plan for delivering the Strategy: the NAO concluded that Government will need to more than double the existing number of staff working on the IT Strategy if it is to deliver the projects in the implementation plan.¹³

16. 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’.¹⁴ 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.

Innovative service provision

17. Our report highlighted four areas in which the Government could use IT to transform and improve public services:

- release of public data;
- adoption of open standards;
- changes to personal data ownership; and
- engaging users in service design.

18. We are pleased that the Government agrees with many of our recommendations in this area, and is taking concrete action to increase access to public data, as set out in its *Making Open Data Real* consultation published in August 2011.¹⁵

19. 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).¹⁶ 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.¹⁷

12 National Audit Office, *Implementing the Government ICT Strategy: six-month review of progress*, HC (2010–12) 1594, para 8

13 *Ibid.* paras 3.5–3.11

14 Government Response, Appendix 1, para 47

15 Cabinet Office, *Making Open Data Real: a public consultation* (4 August 2011)

16 Professor Helen Margetts et al, Appendix 2

17 Professor Helen Margetts et al, Appendix 2

Conclusions and recommendations

Government and IT – "A recipe for rip-offs": Further report

1. We commend the Government for its generally constructive and proactive response to our report. (Paragraph 5)

Oligopoly of large suppliers and benchmarking

2. 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. (Paragraph 11)

Legacy systems

3. 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. (Paragraph 12)

Capability within Government

4. 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. (Paragraph 16)

Innovative service provision

5. 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. (Paragraph 19)

Appendix 1: Government response to the Committee’s Twelfth Report of Session 2010-12

Introduction

The Public Administration Select Committee (PASC) published its report *Government and IT – “a recipe for rip-offs”: time for a new approach* on 28 July 2011. 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 published the ICT Strategy in March 2011 that 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.

Responses to the Committee’s recommendations are set out below, grouped together where this is helpful.

Information, benchmarking and transparency

Recommendation at paragraph 15

Having access to up-to-date and accurate information about government IT is essential if the Government is to reform its IT successfully. Without it the Cabinet Office will be unable to monitor and enforce its programme of reforms. We were particularly shocked to learn that, on coming to office, the Minister had to ask the IT suppliers for information about the value of their contracts. We welcome the Government’s commitment to rectifying this situation. We recommend that the Government work with the NAO to identify which data it needs to gather to monitor the progress of its reforms and outline in its response to this Report what information will be collected by departments and how frequently this data will be gathered.

Recommendation at paragraph 20

The poor benchmarking of central government’s IT expenditure is unacceptable. Without this information it will not be possible for the Government to advance effectively its cost reduction agenda. We recommend that the Government should investigate the claims of overcharging put to us and seek to identify reliable and comparable cost benchmarks, and collect accurate information from departments in order to compare with those benchmarks. Where possible bespoke projects should also be benchmarked, and the Government should trial ways of conducting benchmarking

exercises for its more complex projects. The Government should use independent and specialist advisers and the NAO to assist with identifying objective benchmarking measurements.

The Government agrees with both recommendations. We are committed to identifying and collating the data required to progress reform of government ICT. Actions to address this include:

- publication of the Strategic Implementation Plan (SIP) for the ICT Strategy, which includes metrics and key milestones to track the achievement of the Strategy's objectives and expected benefits. The metrics will be kept under review by the Chief Information Officer Delivery Board, and will be developed and extended as delivery areas mature;
- the first version of a fully populated ICT asset and services register which will provide a valuable source of management information such as up-to-date and comparable data on ICT assets and services across central government and, as it is extended, across the wider public sector;
- engaging with the National Audit Office to help ensure effective monitoring and measurement of progress;
- creating a contract library to collect and analyse all large extant contracts in central civil government; and
- improving forecasting of contracted spend is essential and will be addressed.

Government actions to address benchmarking and claims of overcharging include:

- Publishing departmental Quarterly Data Summaries (QDS), which provide a snapshot of how each department is spending its budget, the results it has achieved and how it is deploying its workforce. Specifically on ICT, the QDS provide figures on the total third party ICT costs and the cost of desktop provision per Full Time Equivalent (FTE). As departmental definitions, time periods and data collection processes align, the QDS will also enable direct comparison between departments of common measures;
- The Major Projects Authority (MPA) will, by December 2011, publish more data in the Government's first Annual Report on Major Projects, including more specific information on the high risk and high value projects, referred to collectively as the Government Major Projects Portfolio (GMPP);
- The Large Contract reviews have highlighted the provision of much greater detail and transparency of cost driver information as a key opportunity for the improvement of both the contract management of individual deals as well as providing important benchmarks for the Crown Representatives in their dealings with individual suppliers and across the market. There is also an overall requirement within government to improve both the general levels of commercial understanding and also specific skills in contract management (as distinct from contract letting and procurement).

- Crown Representatives have been appointed to co-ordinate the views and requirements of HMG customer departments in relationship to suppliers, and to help departments to manage their suppliers and spend effectively, deriving value for money from their purchasing. To ensure these objectives are achieved, work is underway with departments to develop a framework to consistently measure new bids so that industry and supplier benchmarks are considered appropriately during the procurement process; and
- There is also an ongoing programme of review of contracts with more than £100mn of remaining value which is being carried out in support of the recommendation in the Green Review. This is reaching the end of the pilot stage and opportunities relating to specific contracts, as well as generic areas for improvement, are being proposed in parallel with the plans to roll-out the review process across all qualifying contracts.

Recommendation at paragraph 25

Making data about expenditure available is not only a good discipline for departments; it also allows the Government to harness independent views on how to deliver services more cost effectively. The Government should publish in full all contracts. It should publish as much information as possible about how it runs its IT to enable effective benchmarking and to allow external experts to suggest different and more economical and effective ways of running its systems. Feedback it receives based on this information should be used to challenge and hold to account current providers, and to renegotiate, disaggregate and re-compete existing contracts where it becomes clear that more cost effective delivery mechanisms are available.

The Government agrees that it should publish as much information as possible about how it runs its ICT and should use this information to challenge and, where necessary, renegotiate with providers. Measures we are taking to do this are outlined in paragraph 4 above.

We also agree that contract information should be published, although requirements of commercial confidentiality will sometimes prevent us from publishing all contracts in full. As part of the first set of the Prime Minister's transparency commitments, published in May 2010, live public sector contract opportunities over £10,000, closed tender documentation and contract awards and documents have been published on the free online Contracts Finder facility, which was launched in February 2011. Departmental compliance against meeting transparency commitments is published monthly. Government is also working on producing an indicative pipeline of departmental spend.

Suppliers

Recommendation at paragraph 30

Extremely serious allegations have been made about the behaviour of some large suppliers. There are clearly very strong feelings on both sides of this debate. We are not in a position to come to a firm verdict on this matter. Having described the situation as an "oligopoly" it is clear the Government is not happy with the current arrangements. Whether or not this constitutes a cartel in legal terms, it has led to the perverse

situation in which the governments have wasted an obscene amount of public money. The Government should urgently commission an independent, external investigation to determine whether there is substance to these serious allegations of anti-competitive behaviour and collusion. The Government should also provide a trusted and independent escalation route to enable SMEs confidentially to raise allegations of malpractice.

The Government is committed to putting an end to the oligopoly of large suppliers that dominates central government ICT provision. One of the ways in which large suppliers can exploit their dominant position is by acting both as systems integrator and delivering services within the individual ‘service towers’ they control. The Government will address this issue as part of its programme of measures to open up the way that government does business and improve procurement processes.

The current in-depth reviews of large contracts are looking at both pure commercial issues as well as wider contract management areas including supply chain management. The opportunities identified are then taken forward by the customer or if necessary escalated to the Crown Representative for resolution. A key part of the role of the Crown Representatives is to change the relationship between government as a single customer and significant suppliers, including greater communication and the requirement for consistent and appropriate behaviour. Failure to resolve significant problems could ultimately lead to decisions being taken on whether a contract should be terminated to ensure understanding that behaviour that is anti-competitive or commercially unsound is seen as unacceptable.

Key to the Government’s fresh approach to procurement is developing a more proactive approach with the market; and a transparent and fairer system to allow small business and organisations to compete for government contracts. The Government Procurement Service (GPS) has successfully launched the “Dynamic Marketplace”, a flexible, easy-to-use on-line tool making it easier for Small and Medium Enterprises (SMEs) to compete directly for ICT work under the £100,000 EU threshold. The appointment of Stephen Allott, as the Crown Representative (CR) for SMEs has enabled us to start to build a more strategic dialogue between government and smaller suppliers.

In addition, on 11 February the Prime Minister and Francis Maude, Minister for Cabinet Office, announced a new ‘Mystery Shopper’ service for suppliers to alert Cabinet Office to instances of bad practice in public procurement, enabling us to investigate on their behalf, anonymously if required. This service is primarily designed to investigate poor public sector practice, for example overly long or complex Pre Qualification Questionnaires (PQQs) and tender documents or a procurement strategy that locks out smaller suppliers, and also to investigate cases of slow payment from prime to sub contractor. In line with the Government’s commitment to increasing transparency, all cases, including naming the Contracting Authority, and resolutions are published as part of the QDS on the Cabinet Office website.

Recommendation at paragraph 34

We recommend that the Government develop a strategy to either replace legacy systems with newer, less costly systems, or open up the intellectual property rights to

competitors. Alternative means of dealing with legacy systems should be explored with the widest possible range of suppliers, including SMEs.

The Government recognises that it is not alone in facing the challenge of continuing to deliver services using both new and older systems. However it is not possible, or wise in certain circumstances, to move quickly to replace legacy systems, as there are costs involved in closing down old systems as well as procuring replacement solutions. In addition, there are often legislative and service delivery dependencies on many of these systems.

The development of a common ICT infrastructure, with agreed open standards and open Application Programme Interfaces (APIs) will allow government to put a 'wrapper' around legacy systems so that they can continue to deliver business benefit by operating untouched in the background, with new systems developed and built, according to the principles of the ICT strategy, on the other side of the wrapper. This will allow for greater flexibility of policies and services delivered at lower cost and within a shorter timeframe by the widest possible range of suppliers.

As legacy systems near the end of their contract periods options for future delivery of the services they provide will be assessed against government ICT Strategy principles and objectives and in line with budgetary constraints.

Recommendation at paragraph 42

We take seriously the concerns expressed by many SMEs that by speaking openly to the Government about innovative ideas they risk losing future business particularly if they are already in a sub-contracting relationship with an SI. The Government should reiterate its willingness to speak to SMEs directly, and commit to meeting SMEs in private where this is requested. We recommend that the Government establish a permanent mechanism that enables SMEs to bring innovative ideas directly to government in confidence, thereby minimising the risk of losing business with prime contractors.

The Government agrees with the Committee's recommendation. The Government's overall aspiration is to do 25% of its business with SMEs by the end of the Parliament (2015). The Government has set out clearly, in announcements made by the Prime Minister and the Minister for Cabinet Office at the 11 February SME Strategic Supplier Summit, how it will encourage more SME involvement and transparency over the number of contracts awarded to SMEs, including the appointment of a Crown Representative to represent small suppliers in government. These measures include the specific actions that departments published on the 3rd June 2011.

The appointment of a specific Crown Representative for SMEs has enabled us to start to build a more strategic dialogue with SMEs and the launch of product surgeries by the Crown Representative will give SMEs the opportunity, in confidence, to present innovative products and services direct to a panel of senior procurement and operational professionals from central government and the wider public sector.

The Innovation Launch Pad was a website designed to help SMEs pitch their business proposals direct to government for products and services they can provide to help deliver better value for money. Using the site, SMEs were able to submit their proposals between Monday 28th March and Friday 22nd April (when the site was closed to new entries). The best proposals were chosen from over 350 submissions by civil servants through a voting process and, after mentoring by a team of volunteer entrepreneurs, nine SMEs were invited to present their proposals to senior commercial leaders in government at a Product Surgery in Whitehall on 19 July. The aim was to stimulate new, open competitions in government markets in which these suppliers will be able to participate.

The Government aims to establish departmental Product Surgeries as the recognised route for SMEs to pitch innovative business proposals to central government.

The need to allow innovative companies access to government buyers is not limited just to SME's but includes all non incumbent potential suppliers (large or small)

Recommendation at paragraph 44

Where SMEs do subcontract with a large SI, the SI should ensure that it pays the SMEs on the same terms on which the Government pays the large SI. We welcome the Government's own efforts to improve the speed with which it pays its contractors, and we encourage it to ensure its prime contractors pass these benefits on to SMEs

The Government agrees with the Committee's recommendation and is committed to ensuring the speedy payment of SMEs by both government and large SIs.

On the 19 July, the Government reasserted its prompt payment commitment to pay suppliers. Measures for monitoring prompt payment will include:

- Departments will monitor prime contractors performance as part of their contract management processes.
- SMEs will be encouraged to use the 'Mystery Shopper' service to report instances where payment is slower from prime suppliers or from the government. The results will be published on <http://www.cabinetoffice.gov.uk/resource-library/government-business-smes>.
- The Crown Representatives team, which coordinates the Government's approach to the management of key suppliers across all departments, will strongly encourage prime contractors to pay subcontractors in less than 30 days.

Recommendation at paragraph 46

We welcome plans for IT contracts to be broken up to allow for more effective competition and to increase opportunities for SMEs to win Government work. We urge the Government to create more contracting opportunities worth much less than £100 million.

The Government agrees with the recommendation. As the Committee notes, the Government is committed to increasing opportunities for SMEs to win government work under direct contracts. The Government will produce guidance on the presumption

against government ICT projects valued at over £100m in the Autumn. The guidance will address the following issues:

- ensuring government becomes an intelligent and capable customer able to manage procurements in-house
- ensuring that procurement processes do not price, risk or resource SMEs, and other non-incumbent suppliers out of bidding activities and
- reforming the design process to ensure that simple, low cost solutions and existing solutions are explored before bespoke commissioning is considered.

In addition to these measures, the requirement that all new ICT spend above £5m, including contract extensions, be subject to Cabinet Office as well as Treasury approval, will encourage a trend towards smaller projects and contracts.

Recommendation at paragraph 60

We recommend that the Government investigate the practices which seem unintentionally to disadvantage SMEs. When contracts and pre-qualifying questions are drawn up thought must be given to what impact they could have on the eligibility and ability of SMEs to apply for work, and whether separate provision should be made for SMEs. We believe it would be preferable if the default procurement and contractual approach were designed for SMEs, with more detailed and bespoke negotiation being required only for more complex and large scale procurements.

The Government agrees with this recommendation and, as part of the our efficiency and reform programme, various measures are being implemented to achieve a more streamlined and simplified approach to the way that government procures goods and services.

The Government recognises that PQQs have been a particular barrier to SME participation in securing government business. The use of PQQs to request additional information from potential suppliers such as previous experience or track record of providing similar goods or services to that being procured, can also stifle innovation. Central government is committed to ensuring that the information requested in PQQs (such as financial standing and in particular the use of a minimum turnover threshold or insurance requirements) is proportionate to the value and risk of the individual procurement.

Last year the Cabinet Office introduced a shortened, simplified and standard set of core questions to be used in pre-qualification. From 1 December 2010, the simplified standard PQQ was mandated across central government departments, and Baroness Eaton, Chair of the Local Government Group, announced the intention of Local Government to adopt the use of the simplified standard PQQ.

On 11 February the Prime Minister and Minister for the Cabinet Office announced a package of measures to open up the way that government does business. As part of these measures government is seeking to eliminate the use of PQQs for central government procurements under the value of £100,000. This represents a significant shift in the way that pre-qualification is carried out and means that procurers should be free to choose the best route to market for their individual circumstances.

Work is also underway to move towards greater use of the open procedure for above-threshold procurements, thereby removing a separate early selection stage. This will allow potential suppliers to put forward innovative proposals before having to demonstrate previous experience.

To date 15 out of 17 central government departments have confirmed that they have eliminated the use of PQQ for procurements under the EU threshold for goods and services. Bids can be submitted through the Dynamic Marketplace for EU sub-threshold purchases without the need for SMEs to fill out PQQs.

Recommendation at paragraph 50

We welcome the efforts the Government is making to reduce the cost it pays for IT. However the Government’s plan to act as a single buyer appears to be leading to a consolidation towards a few large suppliers. This could act against its intention to reduce the size of contracts and increase the number of SMEs that it contracts with directly. We are particularly concerned with plans to move SME suppliers to an “arm’s length” relationship with Government. The Government needs to explain how it will reconcile its intentions to act as a single buyer, secure value for money and reduce contract size to create more opportunities for SMEs.

“Government’s plan to act as a single buyer” is about achieving complete spend transparency at unit cost level and harmonising costs across departments, so that government consistently pays the same price for similar types of goods and services. This does not necessarily mean consolidation of all ICT spend towards a few suppliers, but careful consideration of the optimal supply chain for each type of ICT good or service procured.

The GPS is developing a Supplier Contract Strategy which will look at the contracting pipeline and future ICT and commercial offerings with specific reference to end user devices (such as PCs, laptops and smartphones), the public services network and the consolidation of data centres.

The government has appointed Crown Representatives, including a Crown Representative for SMEs, to co-ordinate the views and requirements of HMG customer departments in relationship to suppliers. This will ensure that government requirements are adequately represented and speaking with one voice when making important decisions regarding supplier management, letting of contracts and placing of procurements.

Recommendation at paragraph 57

The way procurement currently operates favours large companies that can afford to commit the staff and resources to navigate the convoluted processes. It also encourages the Government to confine discussions to as few potential contractors as possible. If the Government is serious about increasing the amount of work it awards to SMEs it must simplify the existing processes. We welcome the Minister’s assurance that the Government is simultaneously seeking to change the current European Directive regarding procurement and taking steps to simplify official guidance that surrounds

the procurement process. We ask the Government to update us on the progress it is making on both initiatives in its response to this Report.

In its response, published on 25 July 2011, to the European Commission's Green Paper on the modernisation of EU public procurement policy, the government called for radical simplification and higher thresholds, to provide greater flexibility and enable procurers to deploy best commercial practice. Key priorities include actions to reduce lengthy and burdensome procurement processes, to make procurement easier for SMEs and to enable employee-led mutuals to take over public services for a period before being exposed to the rigours of competition. An accompanying Procurement Policy Note PPN05/11, published on 10 August, outlines the government's strategy for influencing the European Commission's forthcoming proposals for revised public procurement directives.

In respect of simplifying official guidance on the procurement process, the new 'lean' process is currently being tested and refined on a small number of departmental pathfinder projects covering all three OJEU procurement procedures (competitive dialogue, restricted & open). It is due to be launched in January 2012.

There are a range of key features built into the new sourcing process that are designed to help simplify it and these include:

- a requirement for routine engagement with a wide and diverse range of suppliers, including SMEs, as part of pre-procurement engagement with the market; a requirement for increased transparency in procurement opportunities via the publication of contract notices (adverts) on the UK government opportunities portal, Contracts Finder as well as the European-wide portal, Tenders Electronic Daily.
- the publication of all procurement documentation (such as the Invitation to Tender, evaluation criteria and terms and conditions) at the same time as the Contract Notice is published and the introduction of simplified selection / qualification criteria.
- new and more efficient ways of carrying out negotiations with suppliers via a time-boxed 'boot camp' approach that features parallel working rather than costly and inefficient sequential working.
- the requirement for departments to use web-based e-sourcing systems to support their procurements resulting in a standardised approach to the way in which government receives and evaluates tenders and as a result eliminating waste and
- the introduction of transparent performance measures covering time, cost and quality to help ensure that procurements are run by departments in line with the lean sourcing process.

Recommendation at paragraph 64

The Government presumption in favour of smaller, disaggregated contracts should lead to more direct contracting with SMEs. This will require Departments to invest more effort in managing relationships directly with SMEs meaning that more systems integration work is performed in-house, but this will yield longer term benefits through

increased innovation and lower costs. Ministers need to ensure their officials have the skills, capacity and above all the willingness to deliver on ministerial commitments to SMEs.

The Government agrees with the Committee’s recommendation. A programme of work is underway to develop the capability of procurement staff within government departments to ensure that they are equipped with the knowledge and skills to operate the new lean sourcing process which, as described in our response to the PASC paragraph 57 recommendation above, includes measures to ensure that SMEs are not disadvantaged in the procurement process. The training is being piloted in October and will be rolled out from January 2012.

Integrating IT and over-specifying

Recommendation at paragraph 69

Government should ensure that the IT implications of new initiatives are properly considered near the start of the policy process on a par with the legal and financial considerations. This should simply be an extension of thinking about how the policy will be implemented in practice. We recommend that analysis of these issues be included in all policy submissions to Ministers.

Recommendation at paragraph 75

We agree with our witnesses who argued that there was no such thing as an IT project – only policy initiatives and business programmes that use technology in their delivery. One of the primary reasons for these project failures is a lack of focus on the outcome and how the IT project fits into the wider benefits the Government wants to achieve. The Government must stop departments specifying IT solutions and ensure they specify what outcomes they wish to achieve, within the broad technical parameters to ensure interoperability. The market should then be able to provide a range of possible IT solutions.

The Government agrees that there is no such thing as an ‘IT project’; there are only business projects that involve ICT. We also agree that the IT implications of new initiatives should be properly considered near the start of the policy process. To this end, the Government is committed to improving the way it delivers business change by introducing Agile project management and delivery techniques.

In April we established for the first time a common curriculum, delivered by Civil Service Learning, which will ensure that every Civil Servant has the core skills needed to do their job. It is fundamental to this approach to consider financial, legal and ICT considerations as part of developing and implementing policy.

The controls introduced at the start of the Coalition Government provide an opportunity for early engagement and understanding of all new ICT spending, including contract amendments, extensions, feasibility and/or proof of concept studies, pilots, projects and programmes. These require departments to demonstrate compliance with the Government’s ICT Strategy and the business benefits of any new spending. Formal approval of new spending is required at the normal Treasury approval stages - Strategic

Outline Business Case, Outline Business Case and Full Business Case - which ensures that there is focus on the business outcomes that will be supported by ICT, whenever ICT is a significant component of any project or programme. We support the overall ambition to make delivery and operations capability as important as policy skills in the civil service. Also policy development must include all operational/delivery experts much earlier and in an iterative fashion.

Alongside improving skills and processes, as part of its work to increase opportunities to harness innovation from outside government, the Government is working to establish departmental Product Surgeries as the recognised route for SMEs to pitch innovative business proposals to central government. The Innovation & Delivery Unit within the Government Digital Service (GDS) are also looking to revamp the Innovation Hub, which will be available to all relevant communities, including central and local government, innovators, developers and SMEs. The Innovation Hub, called DotGovLabs allows challenges to be set by, for instance, a government department, for organisations or individuals to respond with innovative ideas and proposals. This enables a wide community to contribute to policy development, making the Innovation Hub a cost-effective and accessible channel for increasing collaboration and developing innovative solutions to policy challenges.

Challenges to using Agile

Recommendation at paragraph 87

Agile development is a powerful tool to enhance the effectiveness and improve the outcomes of Government change programmes. We welcome the Government's enthusiasm and willingness to experiment with this method. The Government should be careful not to dismiss the very real barriers in the existing system that could prevent the wider use of agile development. We therefore invite the Government to outline in its response how it will adapt its existing programme model to enable agile development to work as envisaged and how new flagship programmes will utilise improved approaches to help ensure their successful delivery.

The Government is keen to make greater use of Agile project and programme methodologies wherever appropriate. The Department for Work and Pensions (DWP) has taken the first steps by embedding Agile into the Universal Credit programme with the support of small and medium enterprises (SME) specialists who provide expertise, training curricula, coaching and professional facilitation.

The Government is also working to ensure that there is an effective methodology in place for scrutiny of Agile development in the delivery of Government Major Projects and Programmes. Existing assurance processes, including the Major Project Authority's (MPA) Gateway Review, are flexible enough to assess iterative, Agile development. The MPA is working closely with departments and projects and programmes to ensure that the correct piece of assurance is undertaken at the most appropriate point and that those undertaking the assurance have sufficient knowledge and experience of the Agile methodology.

The Government recognises that there are cultural and behavioural hurdles to overcome in introducing Agile development, a fact confirmed by private sector organisations that have successfully adopted Agile as a delivery mechanism for business change. The Government

will shortly be setting up a cross-government network of Agile champions / practitioners to establish the foundations from which the necessary cultural and behavioural changes can be made to adopt Agile methodologies and make them succeed. This initiative, with the support of the Agile SME community, will enable the adoption and application of Agile for appropriate projects and programmes.

Recommendation at paragraph 90

The Government should examine how it can remove barriers to agile development as an integrated part of its wider efforts to reform the procurement process and increase the role of SMEs. The Government will have to bear in mind the need to facilitate agile development as it renegotiates the EU procurement directive and revises the associated guidance.

The Government recognises that current EU procurement routes may be best suited to set of fixed requirements that are not agile. The Government’s response to the European Commission’s Green Paper on the modernisation of EU public procurement policy is outlined above in our response to the Committee’s recommendation at paragraph 57. The Government is committed to creating a central commercial framework for SME Agile practitioners that all departments can call upon for the expertise and support they require. The Government is also committed to producing a separate framework arrangement for the procurement of system integrators and service providers for projects and programmes. Measures of this nature will enable government to get to market faster with the delivery of ICT enabled business change.

Security and Privacy

Recommendation at paragraph 99

Governments have learnt that they must secure both personal data and data relating to national security, whilst also guarding against gold-plating its security requirements – which can greatly inflate costs without delivering any tangible benefits. Over-classifying routine administrative and operational information causes unnecessary technology and operational costs, and prevents the public sector taking advantage of the economies and efficiencies of commodity software and new opportunities. It also acts as a further barrier to more effective use of SMEs in the supply of IT goods and services. Government must do more to demonstrate how a risk-based approach is helping achieve a better balance in information assurance.

The Government agrees with the Committee’s recommendation. Effective security is vital to the efficient and safe conduct of public business and the protection of personal data, but it needs to be applied appropriately and proportionately. The Cabinet Office is currently undertaking a thorough review of security policy as part of the broader drive to modernise and transform the way that government does business. This includes revisiting the way that we value, classify and protect our assets. Where there is scope to simplify policy in this area and reduce the burden on departments and delivery partners, changes will be introduced. A more straightforward approach to classifying assets should enable greater use of commercial-off-the-shelf (COTS) ICT products across government, and potentially unlock significant efficiencies.

An intelligent customer?

Recommendation at paragraph 108

Managing suppliers is as important as deciding who to contract with in the first place. To be able to perform both of these functions government needs the capacity to act as an intelligent customer. This involves having a small group within government with the skills to both procure and manage a contract in partnership with its suppliers. Currently the Government seems unable to strike the right balance between allowing contractors enough freedom to operate and ensuring there are appropriate controls and monitoring in-house. The Government needs to develop the skills necessary to fill this gap. This should involve recruiting more IT professionals with experience of the SME sector to help deliver the objective of greater SME involvement.

The Government agrees with the Committee’s recommendation. One of the work streams of the ICT capability strategy, to be published in October 2011, will be to develop a common terminology and skills model for the ICT functions retained in house.

One of the core roles within the Crown Representative function is the co-ordination of the views and requirements of HMG customer departments. This will ensure that government requirements are adequately represented, speaking with one voice, when undertaking important decisions regarding the management of suppliers, letting of contracts and placing of procurements.

The government notes that lack of requisite commercial skills are equally problematic; technical expertise alone is not adequate.

Recommendation at paragraph 112

The strategic importance of Government developing and maintaining an intelligent customer function has been repeatedly highlighted throughout our inquiry. We are very supportive of the Government’s efforts to develop its own talent in-house through the Technology in Business Fast Stream. The Government should use this scheme as a basis for a strengthened IT Profession within Government. It must ensure that it aligns the training curriculum with its ICT Strategy and wider developments in the world of technology outside of Government.

The ICT Capability Strategy will set out a blueprint to show how career development paths in the ICT profession and curricula fit together as a whole – including the Technology in Business Fast Stream (TiB). This will increase the capability of ICT professionals at all levels in the public sector and reduce expenditure on external expertise. Government will establish a strong talent pipeline of successors for senior posts; increase lateral development moves for staff with high potential; and ensure continued recruitment and retention of graduates through the TiB fast stream, averaging 20 per year by September 2014.

Spread of skills

Recommendation at paragraph 115

Knowledge about how modern information systems and technology can be used to improve public services should not be restricted to the IT profession – this knowledge is

essential to the work of all senior civil servants responsible for designing and delivering policy. The Government should explore how departmental boards and senior officials can best benefit from professional training and support in technology policy. A systematic programme to improve these skills across the senior civil service would also help support the Government’s aim of ensuring public services become ‘digital by default’ by improving the integration of technology and policy throughout the policy-making process.

The Government agrees with the Committee’s recommendation. The Government is exploring with senior officials how we can best develop training and support for the senior civil service in technology policy. A progress update will be provided by the end of the year.

Leadership

Recommendation at paragraph 117

We welcome the Government’s intention to strengthen the role of Senior Responsible Owner (SRO) by ensuring that they stay in post until an appropriate break point in the project. Wherever possible SROs should stay in post to oversee the delivery of the benefits for which they are accountable and which the project was intended to deliver. It should be in Ministers’ interests to ensure that this happens, and Ministers should take a personal interest in the leadership of politically sensitive programmes.

Recommendation at paragraph 118

We are concerned that despite the catalogue of costly project failures rarely does anyone – suppliers, officials or ministers – seem to be held to account. It is therefore important that, when SROs do move on they should remain accountable for those decisions taken on their watch, and that Ministers should be held accountable when this does not happen.

Recommendation at paragraph 124

Ministers should reconsider the governance arrangements for their departments’ information systems and associated IT. Whilst it may not always be appropriate for the CIO to be a board level appointment, we think that more department boards should include CIOs given the essential role that information and technology play in delivering Departments’ services. Where CIOs are not on a departmental board, another member of their Board should have proven expertise in, and act as a champion for, information and technology issues.

The Government ICT Strategy clearly sets out the expectation that delivery leads will be held to account through personal performance objectives and implementation plans for their areas, SROs will be expected to remain in post until completion or a suitable break. It also encourages boards to hold ministers and senior officials to account on a regular basis for the progress of ICT projects and programmes and delivery of expected benefits.

The Government also agrees that the level of authority and performance of the SRO role should be elevated further up the department and supported by Accounting Officers within their overall business responsibilities. This issue will be addressed as part of the engagement with departments to manage the government’s Major Projects Portfolio, with

the aim of raising the capability, credibility and profile of SROs through Accounting Officer nomination of SROs and ensuring they are accountable to Parliament. The MPA has already set up a government Project and Programme Management (PPM) Community working group to drive this work and to establish an agreed definition of the SRO role across Whitehall and to support the development of the government Major Projects Leadership Academy, which will be launched in 2012.

The Government agrees that it is sometimes, but not always, appropriate for CIOs to be on department boards. When not on the board, CIOs are expected to have mature conversations with their boards to ensure that they have an understanding of ICT so that this becomes part of the business case discussions and decisions.

Public data release

Recommendation at paragraph 135

Publicly releasing data has the potential to transform public services radically by allowing individuals to use data in ways most useful to them, rather than having to use and access the data in a way prescribed by the provider. We welcome the Government's commitment routinely to release public data. We recommend that the Government should release live, as well as historic, data sets where this is possible and that in future its information systems are designed to do so by default.

Recommendation at paragraph 142

Government should omit references to proprietary products and formats in procurement notices, stipulating business requirements based on open standards. The Government should also ensure that new projects, programmes and contracts, and where possible existing projects and contracts, mandate open public data and open interfaces to access such data by default.

The Government agrees with the Committee's observation that releasing public data has the potential to transform public services. Open standards and interfaces are vital in order to achieve this, and a key component of the ICT Strategy is to mandate agreed open technical and data standards across government.

The government has already made over 6,000 datasets available via data.gov.uk, such as the COINS spending data, government contracts, Civil Service job titles and salaries, and new items of local government spending over £500. In the near future the Government will release datasets on key services, including the NHS, education, crime and justice and transport.

In addition to this, the Government is proposing changes to the Freedom of Information Act (FOIA) to make real the intention of creating the new 'Right to Data'. The amendments form part of the Protection of Freedoms Bill which was introduced to the House of Commons on 11 February 2011.

The Government published its Open Data Consultation, Making Open Data Real: A Public Consultation, on August 4 2011, which, at its core, aims to transform public services in the UK, embedding a culture of openness and transparency within them.

In Making Open Data Real, proposals are set out for establishing an enhanced ‘right to data’ – creating stronger rights for individuals, businesses and others to obtain, use and reuse data from public service providers.

Making Open Data Real represents the first step towards setting out our direction of travel at a strategic level. We want to hear the public’s views and we will work with data providers and the data re-user community through data.gov.uk to set future standards for data release.

Recommendation at paragraph 136

Bringing in outside developers to demonstrate to departments the potential of the information they already hold is an exciting way to innovate and provide new tools and services for the Government. We applaud the departments that have already been involved in “hack days” and recommend that all departments work in a similar way.

The Government is determined to ensure that the opportunities for innovation which Open Data creates are fully exploited and acknowledges the Committee’s observation that transformation in the public services can be achieved by utilising expertise within the developer community. As is made clear in Making Open Data Real, there is growing evidence of the cost effectiveness of stimulating innovation based on data reuse through setting up competitive challenges, or ‘hack days’, for example, Challenge.gov in the US and Open Data Challenge in Europe.

In Making Open Data Real the Government has taken the step of consulting on the extent to which we will need to support and stimulate the development of an effective information marketplace in order to deliver the benefits of Open Data, including transformation of public services. This Government believes innovative use of Open Data will lead to a culture change in public services, embedding transparency and openness, and stimulating the economy, fostering the development of new services and products that will transform the public and private sector, creating jobs and opportunity for individuals.

The Government does not have all of the answers as to how best to implement this agenda and that is why we want to hear from the public, the business community and other interested parties through the public consultation, as to how we can best go about establishing a culture of openness and transparency across the public services.

Recommendation at paragraph 137

Government must continue to address the issue of public data access by removing licences from its own data and by encouraging publicly funded organisations to do the same. Placing this information into the public domain for free is in the long-term interest of data owners, users and the wider economy.

The Government is pleased the Committee acknowledges that it has already taken significant steps, i.e. through the Open Government Licence and data.gov.uk, to make public data more freely available, and agrees that wider and free access to public data is in the long-term interest of data owners, users and the wider economy.

In Making Open Data Real we have set out proposals for taking the commitment to make more public data available for free, as set out under the terms of the Open Government

Licence, one step further, as we have set out a series of proposals which further aim to address issues of access to public data, including inconsistencies in the volume of data which public bodies make available.

The Government is committed to ensuring not only the data that government holds is free and more readily available, but also data from a wider range of public bodies. We are consulting on the definition of both 'Open Data' and 'Public Services' in Making Open Data Real – with the aim of ensuring that more data is released by public services/bodies and that this data is available for free, for re-use and that it can be redistributed by anyone under the terms of the Open Government Licence.

The proposals set out in Making Open Data Real represent the first step towards government establishing a stronger presumption in favour of the publication of data than that which currently exists. The Government is consulting on, among other proposals: introducing a new requirement that all public bodies and providers of public services proactively publish data about the services they deliver. This is very much a part of our drive to make public data 'Open by Default'. In order to ensure an enhanced 'right to data' is brought to life, we will also consult on how best to make this real, including formalising the Public Data Principles articulated by the Public Sector Transparency Board.

Open standards

Recommendation at paragraph 141

Adherence to open standards is important if the Government is to make data more readily accessible. It will also help the Government avoid lock-in to any one provider. We welcome attempts to identify the open standards to be used across departments. However, we are concerned that the recent Government survey indicates that the current understanding of open standards is incomplete. The Government should prioritise the adoption of a set of core open standards which focus on interoperability between systems, making data available through open interfaces and formats that allow meaningful public access.

The Government recognises that open standards are vital in helping to avoid lock-in to a particular supplier or product and ensuring that data is portable and reusable. The UK Government Open Standards Survey focussed primarily on technical standards that support the interoperability of government's ICT infrastructure. The survey closed in May and the results are currently being analysed. A draft suite of mandated open technical standards will be published for formal consultation in the autumn 2011. The first wave of compulsory open standards will include the relevant open standard for all government documents so that citizens are able to read government documents with the standardised document format reader of their choice.

As part of the implementation of the Government ICT strategy, an Open Source implementation Group, System Integrator Forum and Open Source Advisory Panel have been established and have begun to break down the technical and cultural barriers to increase the usage of open source solutions across government.

Personal data ownership

Recommendation at paragraph 156

Giving control of personal data to the individual has the potential to improve data quality while reducing both costs and risks. Individuals are used to controlling their own data with private sector companies, such as Amazon and with utility companies. Moving to a model where the citizen maintains their own personal data with an independent, trusted provider and then can choose whether to authorise the sharing of that information with other organisations is an ambitious vision that will need to be trialled extensively. We also recognise that there may be legal constraints and concerns about privacy which could act as a barrier to implementing such a radical reform. We therefore recommend that the Government, working with the Information Commissioner, review potential barriers to the personal data model and explore the ways in which this model could best be developed.

Recommendation at paragraph 157

We welcome the work being done to create an integrated identity assurance trust model for simplifying access to services. We suggest that Government consider integrating this work with the personal data model. This could represent an important step, placing responsibility and control of personal data with citizens in their interactions with public and other online services.

The Government agrees that barriers to giving people control over their personal data should be reviewed. In March 2011 a cross government Identity Assurance programme team was established to develop an identity assurance solution for government digital services. The programme is developing with support from the key delivery departments, and the private sector the design for a consistent approach to digital identity assurance across the public sector. The design supports the need for personal privacy, help to reduce fraud and aid a shift towards more online activity by government.

The programme is working closely with the Information Commissioner’s Office to review the legal implications of the design and the implications on personal data and privacy. It is also working with representatives of the privacy lobby to ensure personal privacy is considered as a fundamental component of the new approach to digital identity assurance.

The development of the programme will be managed by the Cabinet Office with the design demonstrated by departments through major initiatives such as DWP’s Universal Credits, HMRC’s One Click and Real Time Information, HealthSpace and the Skills Funding Agency Customer Identification project.

As well as giving control to the individual of their personal data held by the public sector, the Government is working with leading businesses and consumer groups to give individuals more access to and control over data that companies hold about them. This ‘mydata’ project aims to enable consumers to view and then use their own personal transaction data in a way that is portable and safe and deliver benefits in terms of data quality and cost and risk reduction. The project is also working closely with consumer bodies, privacy groups and lawyers to ensure that privacy and legal issues are addressed. The ‘mydata’ project is working closely with the identity assurance programme team to ensure that there is a strong relationship between identity assurance and the ability of a citizen to control their personal data.

User engagement in service design

Recommendation at paragraph 162

It is self-evident that the people using systems, be they frontline officials or members of the public are best placed to provide suggestions on how to improve them. User feedback should be directly integrated into the design of new systems and the development of existing systems and processes to ensure continuous improvement. We recommend that Departments exploit the internet and other channels to enable users to provide direct online feedback both in the design of services and in their ongoing operation and improvement.

The Government agrees with the recommendation and will exploit digital channels to build better bridges between government and citizens through the use of online consultations and greater use of social media.

Many departments are already actively using user-centred design tools and principles and ensuring that they have detailed customer input at the start of the service design. Examples of departments who are engaging in user centred design include DWP for the Universal Credit. DWP has created a customer immersion centre where customers – be they claimants or operations users – will critique each part of the user experience as it is developed. Other recent online services such as the Skills Funding Agency for Next Step (National Career Service) and the Driving Standards Agency for driving tests where improvements based on detailed user testing on the current live services are currently being built.

Users of the current Directgov site are provided with the ability to rate and comment on every article – eliciting 40,000 ratings and 10,000 comments a week across the breadth of government services. This feedback is passed onto all relevant departments and is used by many of them to improve the articles and services, supported by the customer input.

The creation of a single web domain will provide the platform from which government will deliver better public services digitally by default, and will be user-centric in design. The GDS has been set up to meet the challenge of delivering the type and quality of online services that people now demand.

Open delivery of online Government services

Recommendation at paragraph 167

Government should open up online service delivery to non-public sector organisations and explore ways in which public services can be offered through other websites, applications, devices and providers. This should be developed by providing an open Government platform around which others can innovate and improve, built on the principles of open data, open standards and open source.

Recommendation at paragraph 168

In doing so Government will need to address issues of liability for the external delivery of Government services. Moving to a model where third parties provide online Government services will require clarity about where citizens should turn for help when they encounter difficulties, as well as clarifying who is accountable for service delivery.

The Government agrees with these recommendations. We are committed to delivering better public services digitally by default and the GDS has been established to transform government digital services, ensuring the Government offers world-class digital products that meet people’s needs. The current areas of work for GDS include:

- **Single Domain for Government** - GDS is developing a prototype “beta” of a single domain for government, which will include a public beta of citizen facing content and a private beta of a shared corporate publishing platform, as well as a first draft “Global Experience Language” for the gov.uk domain. The domain will be built on the basis of open APIs and focussing on delivering only what needs to be provided by Government, not what can be provided elsewhere.
- **Directgov** - Directgov is the current single website for access and information about government services in the UK. Currently the content of the Directgov site is available to anyone who wishes to use it in five open standard formats. There are currently over 450 subscribed users of the Directgov syndication web services, which enable subscribed users to make Directgov news, articles and government contacts available through their own websites, intranets, widgets or applications. The new single domain will build on this approach to ensure open standards are maintained;
- **Digital by Default and Assisted Digital** GDS is working with Departments to ensure that they deliver services digitally by default, in the places and forms that users want to access them, however, in doing so assisted digital approaches will be in place to ensure that there are appropriate forms of support for people who are unable, for whatever reason, to access or use digital services.
- **Digital Engagement** - improving the way citizens can interact with government online through collaboration, conversation and consultation. This includes freeing up information and facilitating the use of new platforms and tools, such as third party communities and sites, to inform citizens and listen to their views as well as introducing digital tools into the day to day working of government.

In working with departments GDS will consider how to ensure the security of personal data submitted through online government services, including those services delivered by other organisations. When opening up the market for services delivered by others on behalf of government, issues of trust, security, accountability and redress will be of paramount consideration.

Appendix 2: Comments from Professor Helen Margetts, Oxford Internet Institute, University of Oxford, and Professor Patrick Dunleavy and Jane Tinkler, LSE Public Policy Group, London School of Economics

Note: These comments focus only on the Government responses to PASC recommendations which we judged to be of the most importance. Hence the coverage of PASC recommendations below is not comprehensive and covers only some of the Committee’s suggestions and government responses.

PASC Report	Government’s response	PPG comments
<p>PASC Recommendation On Suppliers: paragraph 30</p>	<p>30. Extremely serious allegations have been made about the behaviour of some large suppliers. We are not in a position to come to a firm verdict on this matter. Having described the situation as an “oligopoly” it is clear the Government is not happy with the current arrangements. Whether or not this constitutes a cartel in legal terms, it has led to the perverse situation in which the governments have wasted an obscene amount of public money. The Government should urgently commission an independent, external investigation to determine whether there is substance to these serious allegations of anti-competitive behaviour and collusion. The Government should also provide a trusted and independent escalation route to enable SMEs confidentially to raise allegations of malpractice.</p> <p>8. The current in-depth reviews of large contracts are looking at both pure commercial issues as well as wider contract management areas including supply chain management. The opportunities identified are then taken forward by the customer or if necessary escalated to the Crown Representative for resolution. A key part of the role of the Crown Representatives is to change the relationship between government as a single customer and significant suppliers, including greater communication and the requirement for consistent and appropriate behaviour.</p>	<p>The current review of large contracts is, we understand, being run from within the Cabinet Office (which facilitates taking an overall view across government), but which has historically proved weak in influencing government-contractor relations (since it is not itself a big IT spender). The government response here does not take up the Committee’s point on commissioning an <i>independent review</i> of the issue of oligopolistic suppliers. In-depth reviews are presumably taking place under the Major Project Authority, rather than as Gateway reviews. The government point here does not go far enough or give the</p>

<p>Failure to resolve significant problems could ultimately lead to decisions being taken on whether a contract should be terminated to ensure understanding that behaviour that is anti-competitive or commercially unsound is seen as unacceptable.</p> <p>9. Key to the Government’s fresh approach to procurement is developing a more proactive approach with the market; and a transparent and fairer system to allow small business and organisations to compete for government contracts. The Government Procurement Service (GPS) has successfully launched the “Dynamic Marketplace”, a flexible, easy-to-use on-line tool making it easier for Small and Medium Enterprises (SMEs) to compete directly for ICT work under the £100,000 EU threshold. The appointment of Stephen Allott, as the Crown Representative (CR) for SMEs has enabled us to start to build a more strategic dialogue between government and smaller suppliers.</p>	<p>impression that the government takes this issue as seriously as the Committee does. Although external reviews can be useful for individual projects or departments, they will not help to reduce the predominance of particular ‘system integrators’ (hereafter SIs) unless they are able to look across the government as a whole. For this central oversight is needed along with authority to influence departmental decisions on new suppliers as well as managing relationships with current ones.</p> <p>An alternative approach is that used in the Netherlands, where every government department consciously maintains a competitive market for its contracts, typically aiming to keep 9 or 10 contractors involved. Yet there is no hint of a government commitment to major IT departments actively maintaining such competitive markets at the individual department level.</p> <p>Re point 9 in the government response, proactivity as regards helping SMEs enter the market is welcome. However this will not make a significant difference to the overwhelming percentage of the government ICT market held by a small number of big suppliers. Previous administrations have attempted to reduce this percentage and to some effect. However, after years of effort mergers and acquisitions within the IT industry have again driven this figure up. In order to tackle this issue, legacy systems and contracts will need to be examined and possibly broken up.</p> <p>The previous gains to SMEs from past, much-hyped, online procurement systems have in fact been very small, because the systems have actually been so complex to operate that highly specialist staff are needed to even understand (let alone meet) government requirements. SMEs cannot afford such high overheads. So it will be important that the new “Dynamic Marketplace” is <i>independently</i> evaluated for its ease of use, and</p>
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		<p>that its operations are <i>continuously reviewed</i> to ensure that its intended effects are being realized.</p>
<p>PASC Report Recommendation at paragraph 34</p>	<p>34. We recommend that the Government develop a strategy to either replace legacy systems with newer, less costly systems, or open up the intellectual property rights to competitors. Alternative means of dealing with legacy systems should be explored with the widest possible range of suppliers, including SMEs.</p> <p>12. The development of a common ICT infrastructure, with agreed open standards and open Application Programme Interfaces (APIs) will allow government to put a 'wrapper' around legacy systems so that they can continue to deliver business benefit by operating untouched in the background, with new systems developed and built, according to the principles of the ICT strategy, on the other side of the wrapper. This will allow for greater flexibility of policies and services delivered at lower cost and within a shorter timeframe by the widest possible range of suppliers.</p>	<p>Development of a common ICT infrastructure will have little effect on reducing the influence of legacy systems in government. Most legacy systems are already now patchworks of overlapping 'wrappers', reflecting previous efforts such as those described in the government's response. The historical problem has been that the underlying systems are too vital and too big to be shut down. Maintaining and integrating these systems is extremely costly for the departments involved and does not allow for much flexibility in service provision. This response does not seem to grasp the seriousness of the legacy issue in moving forward on government ICT provision.</p> <p>Simplifying, modernizing and eventually replacing legacy systems has long-term gains in allowing expensive older systems to be switched off, but it has always tended to be postponed by previous decision-makers because of the upfront costs and risks involved.</p> <p>Has the government undertaken any review of major UK government legacy IT systems against benchmark arrangements in comparator OECD countries? Is there a long-run risk register of areas where investment to replace legacy systems will eventually be needed with action dates?</p>
<p>PASC Report Recommendation at paragraph 64</p>	<p>64. The Government presumption in favour of smaller, disaggregated contracts should lead to more direct contracting with SMEs. This will require Departments to invest more effort in managing relationships directly with SMEs meaning that more systems integration work is performed in-house, but this will yield longer term benefits through increased innovation and lower costs. Ministers need to ensure their officials have the skills, capacity and above all the willingness to deliver on ministerial commitments</p>	

	<p>to SMEs.</p> <p>35. The Government agrees with the Committee’s recommendation. A programme of work is underway to develop the capability of procurement staff within government departments to ensure that they are equipped with the knowledge and skills to operate the new lean sourcing process which, as described in our response to PASC paragraph 57 recommendation above, includes measures to ensure that SMEs are not disadvantaged in the procurement process. The training is being piloted in October and will be rolled out from January 2012.</p>	<p>In order to procure and manage ICT contracts, a wider range of managers within departments need to have a much firmer grip on the issues surrounding working with technology as an integral part of the policy process. The future of public management will be even more extensively digitally driven than at present – this is a long-run agenda which the UK civil service has heretofore marginalized for ‘mainstream’ managers, representing it as an issue only for IT staff ‘on tap but not on top’.</p> <p>This point should be linked with the recommendations on building up the IT profession within government.</p>
<p>PASC Report Recommendation on Challenges to using Agile: at paragraph 87</p>	<p>87. Agile development is a powerful tool to enhance the effectiveness and improve the outcomes of Government change programmes. We welcome the Government’s enthusiasm and willingness to experiment with this method. The Government should be careful not to dismiss the very real barriers in the existing system that could prevent the wider use of agile development. We therefore invite the Government to outline in its response how it will adapt its existing programme model to enable agile development to work as envisaged and how new flagship programmes will utilise improved approaches to help ensure their successful delivery.</p> <p>44. The Government will shortly be setting up a cross-government network of Agile champions / practitioners to establish the foundations from which the necessary cultural and behavioural changes can be made to adopt Agile methodologies and make them succeed. This initiative, with the support of the Agile SME community, will enable the adoption and application of Agile for appropriate projects and programmes.</p>	<p>87. Agile development is a powerful tool to enhance the effectiveness and improve the outcomes of Government change programmes. We welcome the Government’s enthusiasm and willingness to experiment with this method. The Government should be careful not to dismiss the very real barriers in the existing system that could prevent the wider use of agile development. We therefore invite the Government to outline in its response how it will adapt its existing programme model to enable agile development to work as envisaged and how new flagship programmes will utilise improved approaches to help ensure their successful delivery.</p> <p>When UK government uses the word ‘champions’ it is normally an acknowledgement that no one of sufficient seniority has in fact got the necessary expertise to push through changes. In the e-government era, e-gov ‘champions’ were often mainline managers with at best amateur-expertise in IT issues, taking on the issue as a secondary or tertiary activity besides their main day job. So it will be important to know what weight, seniority and expertise these new set of ‘Agile champions’ will have. What level will they be, what training will they have – and how will they be</p>

		<p>able to incentivize the rest of their agencies to comply? Will competence in Agile be measured and incorporated into promotion and payment (as e.g. completion of different levels of Six Sigma training is in many private companies)?</p> <p>UK government is also littered with past examples of ‘complete handbook’ solutions like Agile becoming a cult that is endorsed uncritically for a few years before becoming rather rigid and fetishized, and then being superceded by a new package of ideas. So how will progress on Agile be independently reviewed and critically appraised, so as to develop elements that work quickly, and drop those that will inevitably not prove useful in practice?</p>
<p>PASC Report Recommendation on Security and Privacy: paragraph 99</p>	<p>99. Governments have learnt that they must secure both personal data and data relating to national security, whilst also guarding against gold-plating its security requirements – which can greatly inflate costs without delivering any tangible benefits. Overclassifying routine administrative and operational information causes unnecessary technology and operational costs, and prevents the public sector taking advantage of the economies and efficiencies of commodity software and new opportunities. It also acts as a further barrier to more effective use of SMEs in the supply of IT goods and services. Government must do more to demonstrate how a risk-based approach is helping achieve a better balance in information assurance.</p> <p>45. The Government agrees with the Committee’s recommendation. Effective security is vital to the efficient and safe conduct of public business and the protection of personal data, but it needs to be applied appropriately and proportionately. The Cabinet Office is currently undertaking a thorough review of security policy as part of the broader drive to modernise and transform the way that government does business. This includes revisiting the way that we value, classify and protect our assets. Where there is scope to simplify policy in this area and reduce the burden on departments and delivery partners, changes will be introduced. A more straightforward approach to classifying assets should enable greater use of commercial-</p>	<p>This response appears to miss the gold-plating point being made by the Committee. Restricting access to online services behind unnecessary or overdone password-protected walls, such as in the Government Gateway, puts off users from accessing those services, making them less productive and less value for money.</p> <p>Departments need to consider where security and access are <i>not</i> necessary and to review whether highly secured electronic identifiers are needed or not. For instance, in DWP online applications could have been introduced for Jobseekers Allowance from 2001 onwards without electronic identifiers or security being a major issue, because all unemployed customers and all their paper documentations were seen face to face in Job Centres before any payments could be authorized. Yet the Department made zero</p>

	<p>off-the-shelf (COTS) ICT products across government, and potentially unlock significant efficiencies.</p>	<p>progress on allowing online submissions of JSA claims until 2009. Similarly across the public sector there are local authorities that require people to register before paying their tax bills or consulting public library catalogues – for no apparent reason. It is important that the government and public managers should recognize that often only parts of all transactions need to be kept secure. This needs to be examined carefully to ensure that government is not over-securing transactions and data, thereby restricting digital accesses by making services more difficult to use for customers, and making their service processes more expensive than needed.</p> <p>There are also substantial opportunities for government to work proactively with key private sector areas (for example the main banks), so as to strengthen private sector security provision in ways that help government to minimize its own additional security or electronic identifier costs – as Sweden has done, using e-banking identifiers extensively across government services.</p>
<p>PASC Report Recommendation on “An intelligent customer?”: at paragraph 108</p>	<p>108. Managing suppliers is as important as deciding who to contract with in the first place. To be able to perform both of these functions government needs the capacity to act as an intelligent customer. This involves having a small group within government with the skills to both procure and manage a contract in partnership with its suppliers. Currently the Government seems unable to strike the right balance between allowing contractors enough freedom to operate and ensuring there are appropriate controls and monitoring in-house. The Government needs to develop the skills necessary to fill this gap. This should involve recruiting more IT professionals with experience of the SME sector to help deliver the objective of greater SME involvement.</p> <p>45. The Government agrees with the Committee’s recommendation. One of the work streams of the ICT capability strategy, to be published in October 2011, will be to develop a common terminology and skills model for the ICT functions retained in house.</p> <p>46. One of the core roles within the Crown Representative</p>	<p>HMG outsourced almost all of its IT expertise in the 1990s and it is taking a significant time and resource push to reverse, especially in key policy-making departments like the Cabinet Office and Treasury. There is not yet the necessary cadre of high quality IT professionals within government to be able to compete in any effective way against large SI companies in providing in-house expertise on ICT issues. It remains unclear whether enough expert</p>

	<p>function is the co-ordination of the views and requirements of HMG customer departments. This will ensure that government requirements are adequately represented, speaking with one voice, when undertaking important decisions regarding the management of suppliers, letting of contracts and placing of procurements.</p> <p>47. The government notes that lack of requisite commercial skills are equally problematic; technical expertise alone is not adequate.</p>	<p>government staff can be retained to undertake the key IT functions by just doing procurement and contract regulation. Countries with better in-house government IT staffs, like Canada and Netherlands, often undertake IT operations and development roles that in the UK have been outsourced. Developments like cloud computing may also change the situation further.</p> <p>Although the CIO Council provides leadership across government, few CIOs are on Departmental Boards, and therefore there is not a strong voice arguing for the importance of issues around being an intelligent customer of IT. And the other senior officials on Boards may not have the necessary expertise or acceptance that digital changes are fundamental to public management to deliberate effectively on IT-related issues.</p> <p>The Crown Representative function will be useful but only if lessons learnt are disseminated and used across departments so that SI corporations who have been awarded contracts that have not delivered are reputationally and contractually disadvantaged in later contract negotiations with other departments. This has not been the case in the past. Instead each new contract negotiation has tended to reset to zero in ‘groundhog day’ fashion.</p> <p>Overall, the governmental response to this particular recommendation is vague and does not engage with the Committee’s points.</p>
<p>PASC Report recommendation on “Spread of skills”: at paragraph 115</p>	<p>115. Knowledge about how modern information systems and technology can be used to improve public services should not be restricted to the IT profession – this knowledge is essential to the work of all senior civil servants responsible for designing and delivering policy. The Government should explore how departmental boards and senior officials can best benefit from professional training and support in technology policy. A systematic programme to improve these skills across the senior civil service would also help support the Government’s aim of ensuring public services become “digital by default” by improving the integration of technology and policy throughout the policymaking process.</p>	

	<p>49 The Government agrees with the Committee’s recommendation. The Government is exploring with senior officials how we can best develop training and support for the senior civil service in technology policy. A progress update will be provided by the end of the year.</p>	<p>This is very vague and unspecific and it is not clear how ‘exploring ... how we can best develop training and support.’ will progress the ‘digital by default’ agenda. Officials at a wider range of levels in mainstream service operations need to be incentivized to place digital technologies and innovations at the heart of their operations - for example through rewards for ‘pushing out’ dissemination of information via social media and digital channels. Similarly, driving up the usage of electronic services should be rewarded, especially where it makes possible the running down of other, more expensive channels.</p> <ul style="list-style-type: none"> ● An indicator of how far government has to go in modernizing civil service attitudes here is this. Across most government websites, almost none will ‘replay’ to users any feedback on what webpages or e-facilities other people have found useful – a practice that has been standard in the private sector for more than a decade now.
<p>PASC Report Recommendation on “User engagement in service design”: at paragraph 162</p>	<p>162. It is self-evident that the people using systems, be they frontline officials or members of the public are best placed to provide suggestions on how to improve them. User feedback should be directly integrated into the design of new systems and the development of existing systems and processes to ensure continuous improvement. We recommend that Departments exploit the internet and other channels to enable users to provide direct online feedback both in the design of services and in their ongoing operation and improvement.</p> <p>73. Many departments are already actively using user-centred design tools and principles and ensuring that they have detailed customer input at the start of the service design. Examples of departments who are engaging in user centred design include DWP for the Universal Credit. DWP has created a customer immersion centre where customers – be they claimants or operations users – will critique each part of the user experience as it is developed. Other recent online services such as the Skills Funding Agency for Next</p>	<p>162. It is self-evident that the people using systems, be they frontline officials or members of the public are best placed to provide suggestions on how to improve them. User feedback should be directly integrated into the design of new systems and the development of existing systems and processes to ensure continuous improvement. We recommend that Departments exploit the internet and other channels to enable users to provide direct online feedback both in the design of services and in their ongoing operation and improvement.</p> <p>The examples of user engagement in service design given here are useful. However these are very far from being usual practice within departments. In the past there has been little evidence that where user views are sought, significant changes are made as a result. It would be helpful for departments to have to report on how they have responded the comments about their services received on Directgov to on an annual or a bi-annual basis. Getting 10,000 comments per week - over 500,000 per year - is a huge amount of free information being provided to the government on the</p>

	<p>Step (National Career Service) and the Driving Standards Agency for driving tests where improvements based on detailed user testing on the current live services are currently being built.</p> <p>74. Users of the current Directgov site are provided with the ability to rate and comment on every article – eliciting 40,000 ratings and 10,000 comments a week across the breadth of government services. This feedback is passed onto all relevant departments and is used by many of them to improve the articles and services, supported by the customer input.</p>	<p>strengths and weaknesses of its service provision. It would be a shame to lose the value of this information through departments being able to ‘cherry pick’ for action only those comments that fit with their current thinking.</p> <p>Furthermore, the emphasis in the governmental response are in explicit user input posted directly on the Directgov site and possible user consultations. What about analysing the patterns of transactional service usage under different ‘experimental’ modes of presenting information, issues and service opportunities – e.g. companies routinely run such online experiments to find out from objective metrics what works and what does not. Yet in government the emphasis has been on having only one form of presenting information or services, with experimentation being outlawed. Equally there are many, many opportunities for government to routinely harvest less censored or conditioned comments from social media produced outside the Directgov site – on Mumsnet or Patient Opinion, for instance. When will government departments begin to do the full range of intelligent digital research to ascertain how services are being perceived?</p>
<p>PASC Report Recommendation on “Open delivery of online government services”: at paragraphs 167 and 168</p>	<p>167. Government should open up online service delivery to non-public sector organisations and explore ways in which public services can be offered through other websites, applications, devices and providers. This should be developed by providing an open Government platform around which others can innovate and improve, built on the principles of open data, open standards and open source.</p> <p>168. In doing so Government will need to address issues of liability for the external delivery of Government services. Moving to a model where third parties provide online Government services will require clarity about where citizens should turn for help when they encounter difficulties, as well as clarifying who is accountable for service delivery.</p> <p>76. The Government agrees with these recommendations. We are committed to delivering better public services digitally by default and the GDS has been established to transform</p>	<p>The government response does not take up the Committee’s Recommendation at paragraph 168. Opening up access to government data is a valuable initiative. This will however open up</p>

	<p>government digital services, ensuring the Government offers world-class digital products that meet people's needs. The current areas of work for GDS include:</p> <ul style="list-style-type: none"> • Single Domain for Government - GDS is developing a prototype "beta" of a single domain for government, which will include a public beta of citizen facing content and a private beta of a shared corporate publishing platform, as well as a first draft "Global Experience Language" for the gov.uk domain. The domain will be built on the basis of open APIs and focussing on delivering only what needs to be provided by Government, not what can be provided elsewhere. • Directgov - Directgov is the current single website for access and information about government services in the UK. Currently the content of the Directgov site is available to anyone who wishes to use it in five open standard formats. There are currently over 450 subscribed users of the Directgov syndication web services, which enable subscribed users to make Directgov news, articles and government contacts available through their own websites, intranets, widgets or applications. The new single domain will build on this approach to ensure open standards are maintained; • Digital by Default and Assisted Digital GDS is working with Departments to ensure that they deliver services digitally by default, in the places and forms that users want to access them, however, in doing so assisted digital 	<p>the possibility of suppliers who are external to government (whether private or voluntary sector) being able to provide services directly to the public using government data. This could be both cost-efficient to government and of use to customers. However, it would need to be carefully managed by government and other public sector agencies to ensure that they were fulfilling their duties to provide equivalent services or access to services for all customer groups. It will also be vital that government does not lose access to the information on its services and lose touch with its customers (hence our points above about much more digital research being needed). Government will also need to be a much more intelligent holder of data from digital services.</p> <p>It is not yet clear in what ways the Single Domain for Government will differ from Directgov. How will these major digital resources be used together? How will other government sites be managed and closed?</p>
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	<p>approaches will be in place to ensure that there are appropriate forms of support for people who are unable, for whatever reason, to access or use digital services.</p> <ul style="list-style-type: none">• Digital Engagement - improving the way citizens can interact with government online through collaboration, conversation and consultation. This includes freeing up information and facilitating the use of new platforms and tools, such as third party communities and sites, to inform citizens and listen to their views as well as introducing digital tools into the day to day working of government.	
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Appendix 3: Comments by Dr Mark Thompson, University of Cambridge

Introduction and overall comments

The government is to be commended on its constructive and proactive Response to the PASC Report. The Response itself is illustrative of how far the government has moved from a situation of rounded criticism of its stovepipe, proprietary approach to technology and suppliers, of which many examples were cited in the Report, to a discernible ‘open by default’ position based on very different conceptual underpinnings. Positive observations in relation to the many positive initiatives set out within the Response are set out in Part 1.

And yet, whilst welcoming these initiatives, it is possible to make two key criticisms of the document. First, as might be expected there are several instances where the Government does not go far enough in explaining the detail around its proposals. In many instances this would be a relatively trivial issue, but in the case of the current ICT-related reforms within government, the detail is serious because of the extremely significant cultural barriers to be overcome in embedding the transparent behaviours throughout the public sector on which its ‘open by default’ ICT reforms depend. An overview of those areas where further detail would be helpful to ensure that real progress is made, together with related suggestions, is set out in Part 2.

The second key criticism lies in the relatively light engagement throughout the Response with the underlying conceptual approach that will be required to make the Government IT Strategy, the Strategic Implementation Plan, and its responses to the Report a reality. At present the Response is a well thought-out, but only loosely related, set of relatively top-down initiatives that does not explain how these initiatives will *work together* to embed utility economics of open standards within government. For example, whilst ‘transparency’ and ‘cost savings’ may both be desirable outcomes in themselves, each will ultimately only be successful at scale if their *relationship* is understood. Whilst the Government may have ‘point’ success with many of the initiatives outlined in the Response, it will need to pay greater attention to its leadership on the ‘why’, as well as the ‘how’, if these are truly to stick. This observation is explained in more detail in Part 3.

For each point PASC should expect the response should be more specific about a requirement for individual departments to have specific implementation plans, otherwise the traction achieved will be patchy and inconsistent, a common theme in government IT. Early indications show that the Cabinet Office level commitment appears to be gaining traction in embedding a manifestly different approach to IT delivery, but at a departmental level, there is limited senior sponsorship for change to happen, or understanding about how to make it happen. PASC should ask for a commitment to seeing these initiatives to be measured and reported against at departmental level with much greater level of transparency and evidence of supporting sanctions against non-compliant departments.

There is a major gap in the plan to cascade these intentions down through into the main departments, particularly DWP, MoD and HMRC who represent the greatest challenge in changing their oligopolistic behaviour, but have the largest spend on IT in government.

PASC should ask for specific detail for these departments as they represent the most intransigent groups, with the largest vested interests.

The government response includes SMEs in the debate which is a step forward, but the steps proposed are, at best, cursory. For example the appointment of just one Crown Representative for all SMEs demonstrates good intent but poor execution. Also SMEs are strongly encouraged NOT to contact their Crown Representative and he refuses to publish his contact details, conveniently reinforcing Government's traditional argument that there are just too many SMEs to deal with!

Part One: Positive Observations

The response from Government suggests a positive first step in the right direction, and the intentions at Cabinet Office level would seem to be genuine held. The response has a number of sensible first step suggestions to initiate the process.

Part Two: Constructive suggestions

It is my view that the following areas do not yet provide sufficient detail to constitute a convincing, robust response:

- **Information, Benchmarking, and Transparency (paragraphs 15 & 20):** The Government's response is principally to reference the SIP and associated metrics. However, this is not the same as an (external) NAO involvement as recommended by PASC. Although NAO is mentioned, there are no commitments, governance mechanisms, or timetable for this and will be hard to enforce. There is also little explanation of how the "contract library" will be analysed. Specifically, will contracts be separated out so as to allow aggregation of commodities across contracts and associated cost savings? A big opportunity for meaningful comparison has been missed – the Asset Register and Contracts Library should have been one and the same. Currently having separate systems means that the real understanding and insight that would have been possible with comparative analysis of asset and service provision across contracts has been lost. (The Asset Register was conceived and procured in haste without real insight, with the Cabinet Office initially asking the large Systems Integrators if they wished to bid for it!). The Government should ensure that proper benchmarking is conducted throughout the life of contracts, and in particular in respect of change controls to major contracts. The benchmarking should be independent, and not a false comparison between one expensive service and another (which has been past behaviour).
- **Available data (paragraph 25):** This is a very weak and evasive response by Government. Government is making use of a tried and trusted 'get-out': "commercial confidentiality". Traditionally, CC has been invoked in order to withhold the very information that is likely to result in external questioning of its commercial judgment and competence – i.e. just the information it is usually most important to publish. This should not be allowed to stand as-is. There is anecdotal evidence reinforced by comments at the recent major supplier conference hosted by the Cabinet Office "New Ways of Working" that, particularly in the large departments, there will continue to be significant resistance to transparency

through evasion and obfuscation. Additionally there is also no mention of any plans to initiate a process to disaggregate or re-compete contracts.

- **Suppliers (paragraph 30):** Whilst there are a number of initiatives listed here, none of these addresses the request to “urgently commission an independent, external investigation”. **This has been ignored entirely** and is possibly one of the most important points to come out of the PASC report. In addition, further details are required on how the Government proposes to address the oligopoly of large suppliers especially at departmental level. In respect of SMEs, the scope of the Mystery Shopper should be extended to cover the lifetime of contracts rather than just the procurement phase and the relationships between large prime contractors and their SME sub-contractors.
- **Replace legacy systems (paragraph 34):** Paragraph 13 here should be challenged beyond a vague commitment to assess legacy systems near end-of-life against Government ICT Strategy principles. How would this be measured? Shouldn't there be a 'Major Legacy' list as per Major Contracts, with a more detailed migration plan for each department for replacement or disaggregation?. If these are 'assets to be sweated', then surely they are commodities with sunk costs, and should be paid for as such? Additionally, the caveat of “budgetary constraints” should not be a reason to continue with locked-in closed systems which may be cost effective initially but provide poor value for money over their lifetime.
- **Open engagement with SMEs (paragraph 42):** The target of 25% of business with SMEs by the end of the Parliament seems a long way away. There should be an interim measure and tracking to ensure that this target is not missed and more pro-activity from particularly the major departments to make this a reality. In addition, the Government needs to address the Committee's concerns around Department's requiring SMEs to contract through large SIs. This is still the default position in a number of Departmental Action Plans for engagement with SMEs and is a poor substitute for direct SME engagement.
- **Breaking up large contracts (paragraph 46):** The Committee noted in its report that the £100m cap was excessive, but this appears to be the main thrust of the Government response. Even contracts of £5m are beyond the reach of some SMEs. There are also indications that DWP is ignoring this cap, with possibly large contracts being awarded without proper competition on the Universal Credit programme.
- **Agile methodologies (paragraph 87):** This commitment is welcome, but Agile has been mooted as being used on various current projects when it bears only a passing resemblance (some parts of Universal Credit are using a small number of Agile techniques). Also the main contractor has (anecdotally) very limited Agile experience, hence the reason for bringing in SME experts. The government's reasoning is perverse – attempting to use Agile but having to bring in experts from SMEs because their main contractor has limited competence. Surely the obvious approach would have been to have selected a competent Agile company in the first place? There also seems to be confusion within Government about when to use Agile and when to use Lean. Agile is about rapid iterative and incremental delivery

offering innovation and flexibility; Lean is about standardisation. Whilst Government needs to focus on using Agile processes for technology development, it also needs to become a mature user of Lean for business processes in order to standardise (and commoditise) its IT systems. The two approaches are different halves of the same coin.

- **Security and Privacy (paragraph 99):** Paragraph 44 of the Government's Response is insufficient here. 'Gold plating' security is a major, recognised problem that is primarily cultural, and there is little comfort here that this is recognised or likely to be addressed properly. Long term, the only way to drive improved behaviours here will be the introduction of transparency that reveals the true comparative cost of 'gold plating' vs utility alternatives. As such, this paragraph is very unsatisfactory.
- **Developing intelligent customer function (paragraphs 108 and 112):** The Government has not taken on board the recommendation that it needs to recruit appropriate IT professionals now to act as an intelligent customer, and instead focuses on coordination and processes with the existing staff who have failed to date achieve this important role. It is difficult to see how this will achieve the same results.
- **Spread of skills (paragraph 115):** It appears far from clear at this moment that the Government will succeed in commissioning such a course on technology policy, and this should be monitored closely by PASC. Educating senior public servants in ICT-enabled public service design is a critical way to move away from the practices described in the Report.
- **Accountability of SROs (paragraph 118):** The Government's Response ignores the core recommendation in paragraph 118 that SROs should be held and remain accountable for decisions taken on their watch, and instead says that there is an expectation that delivery leads will be held to account. This significantly waters down the requirement for SROs to be held properly to account. This should be challenged.
- **Leadership (paragraph 124):** It is difficult to stress sufficiently the importance of building greater ICT literacy and representation at senior policy and implementation levels, and the Government response seems to be non-committal on this point. Leadership in the delivery of public sector IT has been traditionally poor and it is surprising that there is such an ambivalent response. Technology-enabled, utility-based services will increasingly call into question traditional notions of government service delivery and demonstrate the progressive redundancy and waste of post-WWII public service designs. It is difficult to understand how Departmental boards will be able to take effectively informed strategic decisions on behalf of the taxpayer in ignorance of these fundamental game-changing developments. The prospect of Departmental boards without senior ICT representation is deeply concerning and PASC should push back hard.

Part Three: Need for greater conceptual leadership

Whilst each of the initiatives set out in the Response is welcomed, the document reads as a relatively disconnected list rather than an integrated strategy that shows understanding of

how the various parts support the whole. The relationship between the initiatives discussed in the Response is as follows. Recent developments in technology allow previously integrated systems and technology to be separated into modular ‘building blocks’. In turn, this allows some ‘building blocks’ to be standardised (using Lean) benchmarked, and aggregated across government as a commodity, driving down costs. This requires transparency of information and data, both to benchmark/standardise – as well as to ‘shame’ commercial decisions that continue to ignore these opportunities, which are comparatively much more expensive (hence the need to push back on ‘commercial in confidence’ practices).

There is a further, vital part of the picture. By drawing together demand for standard commodities around open standards (to which SMEs need access via a direct route), government is able to use its buying power to create a ‘platform’ (guaranteed demand) around which suppliers (including SMEs) will invest and innovate (using Agile). In time, legacy systems will become comparatively much more expensive, and government will not specify IT, but will instead specify outcomes; it will not matter what the technology (or the supplier) is, since it is standard and works together, cheaply.

The important insight in all this is that this is a self-sustaining dynamic that needs to be ‘fired up’ by government through defining open standards, supported with transparency of information and data; to a large degree, the rest will take care of itself. Thus some of the ‘top down’, relatively disconnected initiatives listed in the Response lack punch, since they do not build *understanding* of how this works, and therefore the purpose of the whole exercise. Examples include paragraph 22, where a top-down requirement will “encourage a trend towards smaller projects and contracts” (because of a top-down fiat rather than organic dynamic).

Similarly, paragraph 29 seeks to clarify Government’s plan to act as a “single buyer”, to harmonise costs across departments so that they can pay the same price for similar goods and services. However, the important insight is missed here; namely, that standardising *commoditises* good and services, as well as creating a *platform* for *innovation* around these, as well as flexibility, new ways of working, etc. This, ultimately more important point is missed altogether. The issue is that there is as yet little indication of the Government’s understanding of the need to deliver on these commitments as a co-ordinated, interactive whole, without which success will be difficult to achieve.

Formal Minutes

Tuesday 17 January 2012

Members present:

Mr Bernard Jenkin, in the Chair

Paul Flynn
David Heyes
Kelvin Hopkins

Priti Patel
Lindsay Roy

Draft Report (*Government and IT – "A recipe for rip-offs": time for a new approach: Further Report, with the Government's Response to the Committee's Twelfth Report of Session 2010–12*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 19 read and agreed to.

Papers were appended to the Report as Appendix 1, 2 and 3.

Resolved, That the Report be the Twentieth Report of the Committee to the House.

Ordered, That the Chair 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 Tuesday 24 January at 10.00 am

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Who does UK National Strategy?	HC 435 (HC 713)
Second Report	Government Responses to the Committee's Eighth and Ninth reports of Session 2009-10	HC 150
Third Report	Equitable Life	HC 485 (Cm 7960)
Fourth Report	Pre-appointment hearing for the dual post of First Civil Service Commissioner and Commissioner for Public Appointments	HC 601
Fifth Report	Smaller Government: Shrinking the Quango State	HC 537 (Cm 8044)
Sixth Report	Who Does UK National Strategy? Further Report with the Government Response to the Committee's First Report of Session 2010-11	HC 713
Seventh Report	Smaller Government: What do Ministers do?	HC 530
Eighth Report	Cabinet Manual	HC 900 (Cm 8213)
First Special Report	Cabinet Manual: Government Interim Response to the Committee's Eighth Report of Session 2010-12	HC 1127
Ninth Report	Pre-appointment hearing for the post of Parliamentary and Health Service Ombudsman	HC 1220-I
Tenth Report	Remuneration of the Parliamentary and Health Service Ombudsman	HC 1350
Eleventh Report	Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform	HC 901
Twelfth Report	Government and IT — "a recipe for rip-offs": time for a new approach	HC 715-I
Thirteenth Report	Change in Government: the agenda for leadership	HC 714
Fourteenth Report	Public Appointments: regulation, recruitment and pay	HC 1389
Fifteenth Report	Smaller Government: What do Ministers do? Further Report	HC 1540
Sixteenth Report	Appointment of the Chair of the UK statistics Authority	HC 910
Seventeenth Report	The Big Society	HC 902
Eighteenth Report	Role of the Head of the Civil Service	HC 1582
Nineteenth Report	Leadership of change: new arrangements for the roles of the Head of the Civil Service and the Cabinet Secretary	HC 1582