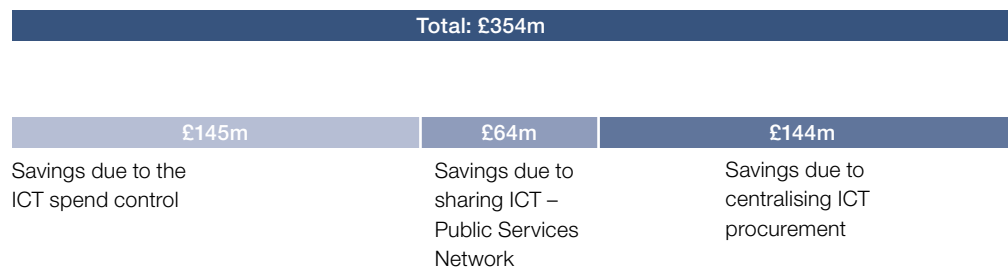National Audit Office

NAO

The Cabinet Office

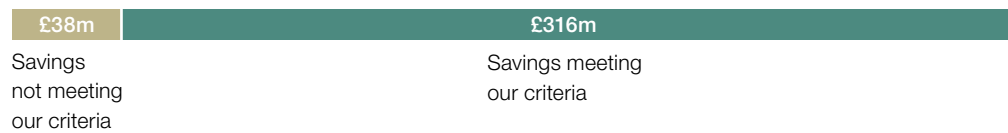# The impact of government's ICT savings initiatives

Key facts

5

key initiatives were created to save on ICT and reform broader public services

110

staff from central government are working to implement the five initiatives

£6.9bn

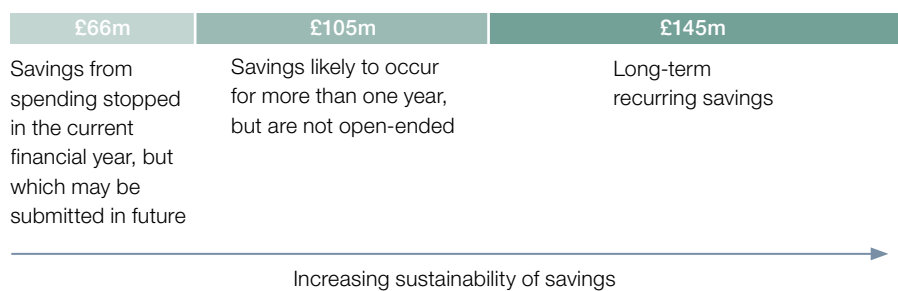ICT spend in 2011-12; NAO estimate based on an analysis of resource accounts

Savings reported by Cabinet Office as a result of ICT strategy

Total: £354m		
£145m	£64m	£144m
Savings due to the ICT spend control	Savings due to sharing ICT – Public Services Network	Savings due to centralising ICT procurement

Against our criteria for assessing savings we found:

£38m	£316m
Savings not meeting our criteria	Savings meeting our criteria

Sustainability of savings meeting our criteria

£66m	£105m	£145m
Savings from spending stopped in the current financial year, but which may be submitted in future	Savings likely to occur for more than one year, but are not open-ended	Long-term recurring savings

Increasing sustainability of savings

Summary

1 In 2009, Francis Maude MP said: *"the history of UK government ICT projects is littered with budget overruns, delays and functional failures."* Since May 2010, the Cabinet Office has launched several Information, Communications and Technology (ICT) and procurement initiatives to tackle these problems. The government recently set out the need for civil service reform to 'embrace the digital age'. ICT is essential to efficient government and for government to keep pace with citizens' desire to engage with public services online.

2 The Committee of Public Accounts has highlighted government's poor record in giving value for money from ICT. In June 2011, the Committee welcomed the direction and principles of the government's new ICT strategy, published in March 2011, but described it as 'very ambitious'. Consequently, we are monitoring the government's progress in reforming ICT and in December 2011 reported that government had made a positive and productive start.

3 This report examines the impact of five reform initiatives. Three are designed to reduce ICT spend under the ICT strategy.

- **ICT spend control.** The IT Reform Group in the Cabinet Office reviews all ICT business cases from central government that exceed £5 million. The minister for the Cabinet Office has final approval of these business cases.

- **Shared ICT infrastructure programme.** Led by the Chief Information Officer (CIO) Delivery Board, this programme aims to reduce the over-provision of ICT by ensuring departments adopt common technical standards and share ICT assets wherever possible. The focus so far has been establishing and sharing communication networks through a programme known as the Public Services Network.

- **Centralised ICT procurement.** The Government Procurement Service, a trading fund of the Cabinet Office, negotiates procurement frameworks with suppliers, enabling departments to buy ICT at the best price.

4   Two further initiatives aim to restructure government's relationship with its suppliers.

●   **Managing suppliers as a single customer.** Under the leadership of the Government Chief Procurement Officer, Crown Commercial Representatives are renegotiating government's relationships with major suppliers to make savings and improve performance.

●   The Cabinet Office has introduced measures to shorten and simplify contract opportunities, move to cloud services, apply open standards to increase competition and **make government contracts more accessible to small- and medium-sized businesses**.

This report examines only the ICT element of these last two initiatives. We expect to report separately on non-ICT government procurement savings and reform.

5   For the ICT savings we examined, we assessed whether the amount reported by the Cabinet Office:

●   matched underlying documentation;

●   was attributed to the correct year;

●   was net of all implementation costs;

●   was measured against the cost of a reasonable alternative; and

●   was attributable, at least in part, to action by the Cabinet Office.

Key findings

Data on ICT expenditure

6   **Since December 2011, the Government Procurement Service has been developing a new source of ICT spend data that has the potential to provide government with more accurate ICT data than in the past.** Previously, we have reported that government has found it difficult to establish robust information about ICT spend. The Government Procurement Service now has comparable ICT spend data for part of central government, 17 departments and 69 arm's-length bodies (paragraphs 2.2 to 2.4).

Impact on ICT savings

7   The three initiatives to reduce ICT spend are working. In 2011-12, central government spent an estimated £316 million less than it would otherwise have done. We analysed a sample of savings from ICT spend control, the shared ICT infrastructure programme and centralised ICT procurement for 2011-12, and extrapolated our results. We found that 89 per cent (£316 million) of the £354 million of savings reported by the Cabinet Office met our savings criteria. The main reason for savings not meeting our criteria was a lack of clear evidence (paragraphs 2.7 to 2.8).

8   The Cabinet Office's reported savings resulted from longer-term reform as well as short-term efficiencies. We categorised the £316 million of ICT savings that met our savings criteria into three levels of sustainability. We found that:

● 46 per cent were long-term savings that are likely to occur every year for the foreseeable future;

● 33 per cent were savings that are likely to occur for more than one year but are not open-ended; and

● 21 per cent were savings from spending that had been stopped by government in the current financial year but may be submitted for approval in future years (paragraphs 2.10 to 2.13).

9   The appointment by the Cabinet Office of commercial experts, to negotiate with the largest ICT suppliers as a single customer, is helping departments reform their supplier relationships, but the measurement of reported savings needs to be built on firmer evidence. This has helped departments to claw money back, renegotiate contracts before they expire and, overall, spend less than they otherwise would have done on ICT. The Cabinet Office has reported savings of £348 million from this initiative in 2011-12. We were unable to validate these savings as their data was insufficient to apply our criteria. The Cabinet Office's processes were not fully mature in 2011-12 but it has since taken steps designed to improve the accuracy of savings from 2012-13 onwards (paragraphs 2.14 to 2.17).

10   On performance to October 2012, government is likely to meet, if not exceed, the targets for ICT savings that it set itself in October 2011. In October 2011, the government announced a target of £440 million for 2012-13 from the ICT spend control and shared ICT infrastructure programme. In October 2012, the government announced that, subject to audit, it had already saved £410 million from these initiatives in the first six months of 2012-13 and expected to save a further £200 million by the end of March 2013 (paragraphs 2.18 to 2.20).

The wider impact of ICT costs savings

11   To date, the Cabinet Office has focused on measuring costs savings. It is the responsibility of departments to manage the consequences of these savings and ensure they do not affect the performance and quality of public services. However, as part of the approval process for substantial items of ICT spending, the Cabinet Office does consider the risk of individual ICT spend proposals submitted by departments (paragraphs 3.3 to 3.4).

12   From November 2012, the Cabinet Office started to evolve its initiatives and began considering risk and performance on a more holistic basis. In November 2012, the Cabinet Office published a strategic supplier risk management policy which sets out how government intends to assess serious or persistent underperformance by strategic suppliers. The Commercial Relationships Board is starting to apply this policy to a risk assessment for key suppliers for the first time. The IT Reform Group has a deepening knowledge of departmental capability and how departments are delivering digital services. These developments should provide the Cabinet Office and departments with the information they need to understand and report on the wider impact of the ICT initiatives (paragraphs 3.5, 3.17 and 3.18).

13   The impact of initiatives to reduce the dominance of large ICT suppliers and increase the involvement of small- and medium-sized businesses remains unknown at this stage. It is difficult for government to make changes with ICT suppliers when major contracts are not expiring for a few years. However, work is under way to reduce its dependency on single large-scale contracts. Until the Government Procurement Service data on ICT spend is complete, accurate baselines for a comparative analysis of spend across all ICT suppliers is not available (paragraphs 3.6 to 3.12).

14   Views on the impact of reform on government's relationship with ICT suppliers are mixed. We found that suppliers we spoke to in 2012 were less positive about their relationship with government than those we spoke to in 2011. They were frustrated at the slow pace of change and the focus on cost-cutting, rather than on exploring innovative opportunities to redesign digital public services. Some Crown Commercial Representatives and CIO Delivery Board members identified positive changes in suppliers' attitudes but others commented on resistance by suppliers to change. However, the Cabinet Office's publication of a strategic supplier risk management policy shows how government is becoming more robust and transparent in its handling of suppliers' performance across government (paragraphs 3.14 to 3.17).

The main enablers of progress and the challenges of delivering further savings and reform

15   Leadership from the Cabinet Office along with cross-government and cross-profession collaboration, have been important for delivering ICT savings that exceed targets so far. Responsibility for delivering the five initiatives is shared among senior civil servants from the ICT, commercial and procurement professions in departments and the Cabinet Office (paragraph 4.2).

16   The introduction of ICT spend controls by the Cabinet Office has been a powerful lever in driving departments to make ICT savings and to comply with the ICT strategy. Despite tensions, this new process is encouraging departments to become more disciplined in planning future ICT spend and preparing more feasible proposals for scrutiny (paragraph 4.3).

17   Government has made a good start on reducing ICT spend and reforming supplier relationships. The Cabinet Office is now facing the challenge of moving its initiatives from saving money in buying ICT, to ICT solutions that reform public services and the way that government works. We have identified two ways in which the Cabinet Office is facing this challenge:

- Until recently, there has been insufficient resource for the ICT spend control process leading to delays. The IT Reform Group is now at its full complement and is able to increase the expert assistance it gives to departments, allowing them to save money and making deeper ICT reforms that put users at the heart of public services (paragraphs 4.9 and 4.10).

- Complex governance arrangements have existed for the five initiatives. The Cabinet Office is currently considering how to reform these arrangements so as to streamline governance and clarify roles and responsibilities (paragraphs 4.11 to 4.12).

18   Relevant skills remain a challenge across government. There is progress in developing the ICT, digital and commercial professions in government. For example, the Cabinet Office is increasing the number of Crown Commercial Representatives and strengthening the seniority of the team that supports them. However, the pace, breadth and depth of the change required by the Cabinet Office's ICT reform initiatives is opening up capacity and capability gaps across central government (paragraphs 4.13 to 4.14).

Conclusion on value for money

19 As a result of the ICT strategy, we estimate that government has spent £316 million less in 2011-12 than it otherwise would have done. Just under half of this is the result of sustainable long-term savings. Furthermore, government is likely to meet, if not exceed, its targets for savings in 2012-13 from the ICT spend control initiative and the Public Services Network. We conclude these initiatives being led by the Cabinet Office, but involving change in all departments, are starting to have a positive impact on value for money in an area of spend that has previously proved intractable.

20 Other initiatives to manage large ICT suppliers as a single customer and assist small- and medium-sized businesses to compete successfully will take longer to demonstrate value for money. There are early positive qualitative signs. However, demonstrating quantitative impacts from these initiatives in the future will require the Cabinet Office to have a significantly better common understanding of spend and savings data with suppliers and departments. It will also take time to demonstrate the impacts of restructured relationships with the ICT industry on the digital transformation of the civil service and the quality of future digital services.

Recommendations

a **The Government Procurement Service, working with all parts of central government, should complete its collection of ICT spend data on central government.** This data set has multiple applications. It will strengthen negotiations with ICT suppliers, enable the Cabinet Office both to challenge and assist departments with their proposals for ICT solutions, and help the government to demonstrate the quantitative impact of its ICT and procurement initiatives to Parliament.

b **The Cabinet Office should review targets for ICT savings across government to ensure they remain sufficiently stretching.** Savings delivered so far have exceeded their targets. Lessons learned, combined with a more accurate estimate of future ICT spend, provide a stronger basis now than there was one year ago for setting stretching targets.

c **The Cabinet Office should use the new digital strategy and the civil service reform plan to develop how it and departments evaluate and report the impact of ICT initiatives beyond just ICT savings.** In December 2011, we highlighted that the only measurable benefit defined within the government's ICT strategy (2011) was savings. Since then the digital strategy and reform plan have set broader transformation objectives to measure progress against. This will enable the Cabinet Office and departments to develop a more holistic view of the impact of their initiatives on suppliers (large and small), spending less and reforming public services through digital by default.

d   **As the Cabinet Office continues to develop its ICT initiatives, management information and governance, it needs to ensure changes are systematically implemented and clearly communicated to departments and suppliers.** The Cabinet Office has demonstrated its willingness to apply continuous improvement as it learns about the impact of its initiatives. For example, there are improvements under way in the Cabinet Office guidance for suppliers and departments on the data it requires to track savings and other impacts. However, the Cabinet Office should reinforce the level of challenge and scrutiny it applies to savings and determine whether more assurance can be obtained from its internal audit function. The pace of change and changes in Cabinet Office staff will act as barriers to continued improvement unless departments and suppliers are clear about roles and responsibilities.

e   **The Cabinet Office and departments should consider how to optimise the deployment of ICT and commercial skills across central government.** The Public Services Network team has assembled 39 full-time equivalents from across government, to both manage contracts with industry and also to assist government organisations with planning their network requirements and tracking their benefits. This expert assistance has been successful and a similar model could be applied to share government's specialist ICT and commercial expertise to stimulate the most reform.

f   **The CIO Delivery Board members and CIOs across government need to show strong leadership in civil service reform beyond the ICT profession.** Accounting officers, finance directors and other senior civil servants are interested in overall value for money and managing the risk of change, rather than ICT details. They are not all convinced of the benefits of sharing ICT infrastructure and other business services. Not all understand the impact of putting the citizen and UK business at the heart of digital public services or what constitutes acceptable information security risk. Not all see how transformative new approaches to ICT could be in changing how their departments work and collaborate with others. Having now established a track record in making savings, the CIO Delivery Board members have to lead the debate away from the specifics of convergence, hosting services in the cloud, security accreditation and virtualisation, to drive a convincing and informed debate about ICT-led reform across the civil service.