



House of Commons
Committee of Public Accounts

Delivering successful IT-enabled business change

**Twenty-seventh Report of Session
2006–07**

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written evidence*

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The Committee of Public Accounts

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Summary

Information technology (IT) plays an increasingly central role in providing major public services. In November 2005, *Transformational Government, Enabled by Technology* set out the Government's strategy for delivering IT-enabled public services, which alongside a drive for greater efficiency in the way services are provided, calls for public services to be designed around the needs of the citizen or customer, not the provider. To achieve this vision, the Government is spending about £12-14 billion a year on new and existing information technology and related services to deliver improvements in key areas such as health, education, and law and order. Central civil government has a portfolio of some 120 mission critical or high risk IT-enabled programmes and projects, each of which faces different challenges. The risks are high and, given a history of past failures, government departments need the structures and management processes to secure greater success in IT-enabled programmes and projects.

The Cabinet Office's Delivery and Transformation Group (formerly the e-Government Unit) and the Office of Government Commerce (OGC) help support departments in delivering IT-enabled change. The Delivery and Transformation Group is responsible for formulating IT strategy and policy, promoting best practice and undertaking departmental Capability Reviews to target underlying issues that affect delivery. The Office of Government Commerce works with departments to help them improve efficiency, gain better value from suppliers, and improve programme and project delivery. The Office of Government Commerce is also responsible for the Gateway Review process. A new Major Projects Review Group in HM Treasury will provide additional scrutiny in the stages up to contract award. With this division of responsibilities across Whitehall, it is important that roles are clear and activities co-ordinated.

The National Audit Office, on the basis of 24 case studies of successful IT-enabled programmes and projects from both public and private sectors, has set out three common principles that underpin successful delivery:

- Ensuring senior level engagement.
- Acting as an intelligent client.
- Realising the benefits.

In the past in departments, board level engagement with major programmes and projects has been found wanting, resulting in a failure to identify and act on imminent risks to delivery. Departments have not always shown themselves to be intelligent clients, with poorly defined requirements and a lack of capacity to engage effectively with suppliers, and only a minority of programmes and projects have carried out final Gateway Reviews to determine if they have delivered the benefits they set out to achieve.

On the basis of a report by the Comptroller and Auditor General,¹ we took evidence from the Office of Government Commerce and the Cabinet Office on three main issues: the

¹ C&AG's Report, *Delivering Successful IT-enabled Business Change*, HC (2006-2007) 33-I

importance of embedding the lessons from successful programmes and projects to drive up performance; the need to set standards for capacity and competence; and the value of candour in programme and project reporting.

Key terms used in this report are listed in the **Annex** in order of appearance.

Conclusions and recommendations

1. **A fifth (21%) of Senior Responsible Owners of mission critical and high risk IT-enabled programmes had not met with the nominated Minister and a further 28% met the Minister less than once a quarter.** For these major high risk undertakings to succeed, Ministers need to be briefed fully and candidly at least quarterly on risks, progress and cost escalations, including key findings from Gateway Reviews and mission critical reporting, and assessment of the performance of suppliers and contractors.
2. **The role of the Chief Information Officer Council, comprising senior board level representatives of all major government departments, is not yet clear and its profile remains low.** The Council offers the potential to identify key risks to the delivery of programmes and projects and to drive up and ensure greater consistency of practice and performance across government. It needs to raise its game, acting more like its American counterpart to become a key influence in government IT by, for example:
 - reporting regularly on the emerging risks around the Government's portfolio of IT-enabled programmes and projects, and making informed judgements about the Government's capacity to handle that portfolio;
 - providing authoritative advice and promoting good practice, and encouraging the greater use of tools and techniques such as the IT industry body Intellect's Concept Viability Service to help test at an early point the robustness of new IT-enabled plans and proposals; and
 - acting to strengthen relationships with the supplier community; for example by seeking ways to encourage the involvement of smaller suppliers through streamlining and standardising processes such as pre-qualification questionnaires.
3. **The Payment Modernisation Programme and Pension Credit demonstrate that success can be achieved in major Government IT-enabled programmes and projects.** Evidence from across government shows that to replicate this success more widely, departments need to make significant changes to their management practices. For example:
 - more than 70% of Heads of Centres of Excellence remain concerned about a lack of programme and project management skills within departments; and
 - over half of Senior Responsible Owners (SROs) are in their first SRO role, and nearly half spend less than 20% of their time on such duties. Lack of relevant experience, combined with a regular turnover of post-holders, adds unnecessary risk to the management of IT-enabled change.

To address these issues, departments should appoint a Senior Responsible Owner at the outset of an IT-enabled business change on the presumption that he or she will remain in post until the programme or project is delivered, with performance and reward linked to agreed targets and milestones.

4. **Within departments, there is a lack of clarity about the respective roles of Chief Information Officers and Centres of Excellence, and how, in turn, they should support individual Senior Responsible Owners of programmes and projects.** 38% of Senior Responsible Owners, for example, have no involvement with their Centre of Excellence. The Office of Government Commerce and the Delivery and Transformation Group should set out clearly for departments their expectations of Chief Information Officers, Centres of Excellence, and Senior Responsible Owners. Departments should in turn translate these into clear management hierarchies and reporting structures at a local level.
5. **There is potential confusion between the Delivery and Transformation Group's initiatives to strengthen the IT Profession through the Technology in Business Fast Stream and the wider Professional Skills for Government agenda, and the role of the Office of Government Commerce in developing the Programme and Project Management Specialism.** To obtain the full benefit of these initiatives and to build the collective IT knowledge base across government, they need to be overseen by a single body with a clear brief to develop career paths and succession planning. This should include developing and consolidating individuals' skills over a succession of major programmes and projects and ensuring that the contributions of successful teams are exploited fully.
6. **The lessons from Gateway Reviews are not shared consistently across departments, with only some three quarters of Centres of Excellence routinely receiving such Reviews.** Within departments, Gateway Reviews and mission critical reporting should form the focus for regular discussions between the Chief Information Officer, Centre of Excellence and Senior Responsible Owners. Departments need also to seek the views and concerns of suppliers in Gateway Reviews.
7. **Of all the IT-enabled programmes and projects that had completed a Gate 4 (Readiness for service) Gateway Review by June 2005, only a third had by June 2006 completed a Gate 5 (Benefits evaluation) Review.** Following the example of the Payment Modernisation Programme, departments should appoint a senior nominated individual to make sure that Gate 5 Reviews occur within twelve months of a preceding Gate 4 Review, and to ensure that new IT processes are exploited to achieve their full potential, as would be the case with an expensive IT investment in the commercial world.
8. **Where IT-enabled programmes and projects have succeeded, the organisations concerned were clear about the business process they wanted to change and the outcome they wanted to achieve.** In the case of Pension Credit, for example, the project team were thus enabled to resist demands for unnecessary alterations to the initial specification. Britannia Building Society's board kept control over changes to its "Really Big" transformation programme by requiring expenditure over a 3% contingency to be referred to the board. Where changes to original specifications are planned that involve expenditure or time delays beyond any pre-agreed thresholds, the Senior Responsible Owner should re-submit the business case to the departmental board, setting out why a change is necessary and providing an assessment of the risks associated with the change.

9. **The Office of Government Commerce and the Delivery and Transformation Group have not had the power to halt failing programmes and projects.** The Treasury's new Major Projects Review Group will however be reviewing all new business cases for high risk or mission critical programmes and projects for robustness and deliverability in order to ensure that departments do not embark on ill thought out ventures. It will need well rehearsed action plans to intervene to stop programmes and projects that begin to falter.
10. **Nearly half of Audit Committees are not briefed on the results of all Gateway Reviews.** To fulfil their key role in providing independent scrutiny and oversight of a department's portfolio of programmes and projects, Audit Committees need regular briefing about the status of those activities and information about emerging risks. The Statement on Internal Control signed annually by the Accounting Officer should confirm that the Audit Committee has received this information.
11. **Very little has been made public about the identity or performance of the mission critical programmes and projects that underpin much of the Government's IT strategy.** In response to the Committee's request, however, the Office of Government Commerce has provided a list of the 90 mission critical programmes and projects agreed with departments in July 2006.² This is an important first step in improving the transparency of departments' management of IT-enabled change, but it needs to be extended into regular reviews of the progress and performance of individual programmes and projects within the Annual Report of the Delivery and Transformation Group.³

2 Ev 14

3 The first Annual Report was published in January 2007:
www.cio.gov.uk/documents/annual_report2006/trans_gov2006.pdf

1 Embedding the lessons from successful programmes and projects to drive up performance

1. Analysis of successful IT-enabled business change programmes and projects by the National Audit Office identified three recurring principles that contribute to success. These are the level of engagement by senior decision makers; organisations' ability to act as an "intelligent client" by ensuring they understand what it is they are setting out to do and have the skills to manage both suppliers and the change process; and having a clear understanding from the outset of the potential benefits of the business change and putting mechanisms in place to determine whether these have been achieved and optimised (Figure 1).

Figure 1: Three core principles of successful IT-enabled business change	
Ensuring senior level engagement	Demonstrating board level and Ministerial commitment to the programme and project Allocating the appropriate priority for resources Creating mechanisms for clear and effective decision making
Acting as an intelligent client	Designing and managing the business change Managing the risks of the IT solution Creating constructive relationships with suppliers Building the organisation's capacity and capability to deliver the programme or project
Realising the benefits of change	Determining at the outset what the benefits are Selling the benefits to users Winning the support of stakeholders Continuing to optimise the benefits once the programme or project is completed

Source: National Audit Office⁴

2. In response to recommendations by this Committee and the National Audit Office, there have been a number of initiatives in recent years to strengthen the management of programmes and projects.⁵ Within departments, since 2003 every mission critical and high risk programme and project is required to have a nominated Minister, and every major IT change programme or project should have a Senior Responsible Owner, usually a senior civil servant, to monitor progress and risks, ensure the programme or project meets its objectives, and deliver the benefits projected in the business case (Figure 2)⁶. Since 2003, all departments have had a Programme and Project Management Centre of Excellence responsible for support, oversight, scrutiny and challenge to Senior Responsible Owners and programme and project delivery teams. Most government departments also now have a Chief Information Officer, at or near board level, usually with experience of the IT

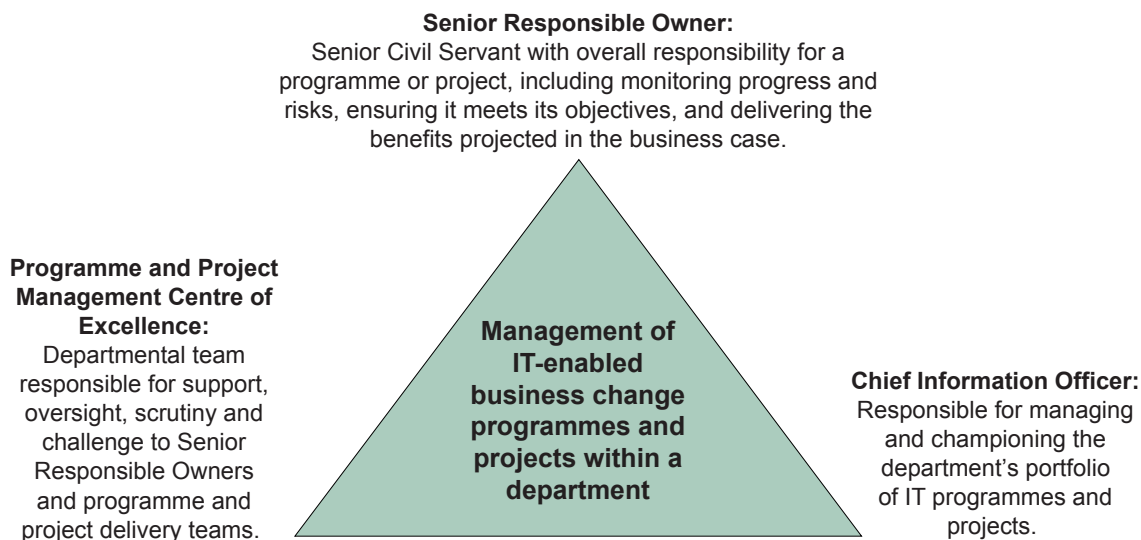
4 C&AG's Report, *Delivering Successful IT-enabled Business Change*, HC (2006–2007) 33–I, para 1.13

5 *Ibid*, paras 1.3–1.5

6 *Ibid*, Appendix 3

industry, to manage and champion the department's portfolio of IT programmes and projects; although some fulfil the role in conjunction with other duties.

Figure 2: Key mechanisms within a department for improving delivery of IT-enabled programmes and projects



Source: National Audit Office

3. There is, however, confusion around these roles⁷ with, for example, 38% of Senior Responsible Owners having no involvement with their Centre of Excellence.⁸ Audit Committees also play an important role by providing to Accounting Officers assurance and information on risks to delivery of their programmes and projects; but while 77% of Centres of Excellence received copies of all Gateway Review reports, many Audit Committees (42%) were not briefed on the results of all Gateway Reviews.⁹

4. Responsibility for sharing and disseminating knowledge about success between different departments and across government as a whole is shared between HM Treasury, the Office of Government Commerce, and the Cabinet Office's Delivery and Transformation Group.¹⁰

5. The Treasury's announcement in its *Transforming Government Procurement* report (January 2007) of the setting up of a Major Projects Review Group, chaired by the Treasury and composed of commercial experts, aims to ensure that the most complex projects are subject to high levels of scrutiny of deliverability through an enhanced Gateway process.¹¹ Central scrutiny of IT-enabled change has been weak in recent years, in part because central departments had no power to stop failing programmes and projects.¹² As the

7 Q 7

8 C&AG's Report, para 3.26

9 *Ibid*, para 2.19

10 Qq 3–5, 7, 9, 14, 21–23; C&AG's Report, paras 1–1.5

11 HM Treasury (2007) *Transforming Government Procurement*, London: The Stationery Office, para 2.11

12 Q 8

Committee recommended in its 2005 Report,¹³ the Treasury's Major Projects Review Group will in future have the power to stop a procurement project from progressing to the next stage where it feels that there are issues that need urgent correction.¹⁴

6. The Transformational Government arm of the Delivery and Transformation Group is responsible for formulating IT strategy and policy and for promoting best practice. The Delivery and Transformation Group now publishes an Annual Report on progress in implementing the Transformational Government Strategy.¹⁵

7. The Chief Information Officer Council created in 2005 brings together at a senior and influential level knowledge and expertise of IT across government departments and agencies.¹⁶ The Chief Information Officer Council acts as a focus for the IT profession across government; while the Programme and Project Management Specialism is overseen by the Office of Government Commerce.¹⁷ The Cabinet Office, however, is responsible for actions designed to strengthen the IT profession as part of the wider Professional Skills for Government agenda and for the new graduate-entry Technology in Business Fast Stream for those with the potential to become Chief Information Officers or leaders of large scale IT-enabled business change.¹⁸

8. Recent years have witnessed the development and dissemination by the Office of Government Commerce of extensive guidance and advice to departments on how to manage their programmes and projects, some in response to past PAC hearings (**Figure 3**).¹⁹ The level of take up of major guidance such as the Successful Delivery Toolkit²⁰ has increased, with 87% of Centres of Excellence and 65% of Senior Responsible Owners finding it "very helpful" or "fairly helpful", and entry into the Gateway Review process has improved since the Committee last reported on it in 2005.²¹

9. The Chief Information Officer Council has a potentially important role to play in providing leadership and authoritative advice. This role includes promoting good practice, sharing lessons learned and working with the Office of Government Commerce to encourage greater use by departments of newer tools, techniques and services, such as the IT industry body Intellect's Concept Viability Service, and addressing of skills shortages and other issues identified in Gateway Reviews.²²

13 Committee of Public Accounts, Twenty-seventh Report of Session 2004-05, *The Impact of the Office of Government Commerce's Initiative on the Delivery of Major IT-enabled Projects*, HC 555

14 *Transforming Government Procurement*, para 2.12

15 Q 102

16 C&AG's Report, paras 1.3–1.5

17 *Ibid*, paras 1.3–1.5

18 *Ibid*, para 1.3

19 Q 78

20 An on-line guide to procurement policy, tools and good practice.

21 C&AG's Report, para 3.29, Figure 9, Appendix 1: para 1

22 Qq 3–4, 21–23; C&AG's Report, Terms used in this Report, page 7, paras 2.20, 3.24, 3.25

Figure 3: Key reports and guidance to assist the delivery of IT-enabled business change	
January 2000	Committee of Public Accounts— <i>Improving the Delivery of Government IT Projects</i>
May 2000	Cabinet Office Review of Major Government IT Projects— <i>Successful IT: Modernising Government in Action (The McCartney Report)</i>
February 2003	The Prime Minister’s Office of Public Service Reform (OPSR)— <i>Improving Programme and Project Delivery</i>
November 2004	National Audit Office— <i>Improving IT Procurement: The Impact of the Office of Government Commerce’s Initiatives on Departments and Suppliers in the Delivery of Major IT-enabled Projects</i>
November 2004	Joint National Audit Office/Office of Government Commerce list of the common causes of project failure—DAO (GEN) 07/04
April 2005	Committee of Public Accounts— <i>The Impact of the Office of Government Commerce’s Initiative on the Delivery of Major IT-enabled Projects</i>
November 2006	National Audit Office— <i>Delivering Successful IT-enabled Business Change</i>

10. Transport for London in delivering the London Congestion Charge acted as an “intelligent client” and used its knowledge of suppliers’ strengths and weaknesses to determine its procurement strategy.²³ The Office of Government Commerce and the Chief Information Officer Council can help to share intelligence about suppliers’ performance across departments and can engage with suppliers, both individually and collectively through their representative bodies, to drive up performance and to raise awareness of and devise solutions to common issues.²⁴ The Office of Government Commerce is also working with the Chief Information Officer Council to assess the capacity of the IT industry to deliver the Government’s portfolio.²⁵

11. The Office of Government Commerce has worked with the IT industry body Intellect to develop a Government Procurement Code of Practice and the IT Supplier Code of Practice.²⁶ In recent years, the Office of Government Commerce has also worked to remove barriers in the procurement process, particularly those affecting small and medium-sized enterprises, for example by simplifying the pre-qualification questionnaire.²⁷

12. The Payment Modernisation Programme demonstrates how departments can optimise the benefits of an IT-enabled change by tracking and reviewing programmes and projects regularly after completion, setting up dedicated teams responsible for ensuring that benefits realisation is on track and developing further benefits, and making nominated

23 Qq 58–61; C&AG’s Report, para 3.6; *Case Study Volume*, page 33, para 6

24 Qq 58–66; C&AG’s Report, paras 1.4–1.5

25 C&AG’s Report, para 1.4

26 *Ibid*, para 1.4

27 Q 42

managers of business units accountable for delivering the benefits.²⁸ The Office of Government Commerce's Gate 5 (Benefit evaluation) Reviews provide opportunities to establish whether a business change has delivered the benefits projected in the business case.²⁹ To June 2006, however, only a third of programmes and projects that had reached Gate 4 a year or more before had gone on to a Gate 5 Review,³⁰ though the proportion is rising since the Committee last drew attention to this issue.³¹

28 Qq 81, 85; C&AG's Report, para 4.12; *Case Study Volume*, page 9, paras 17–19

29 Qq 80–85

30 C&AG's Report, paras 4.9, 4.10, Appendix 2, para 1, Figure 12

31 Committee of Public Accounts, Twenty-seventh Report of Session 2004–05, *The Impact of the Office of Government Commerce's Initiative on the Delivery of Major IT-enabled Projects*, HC 555

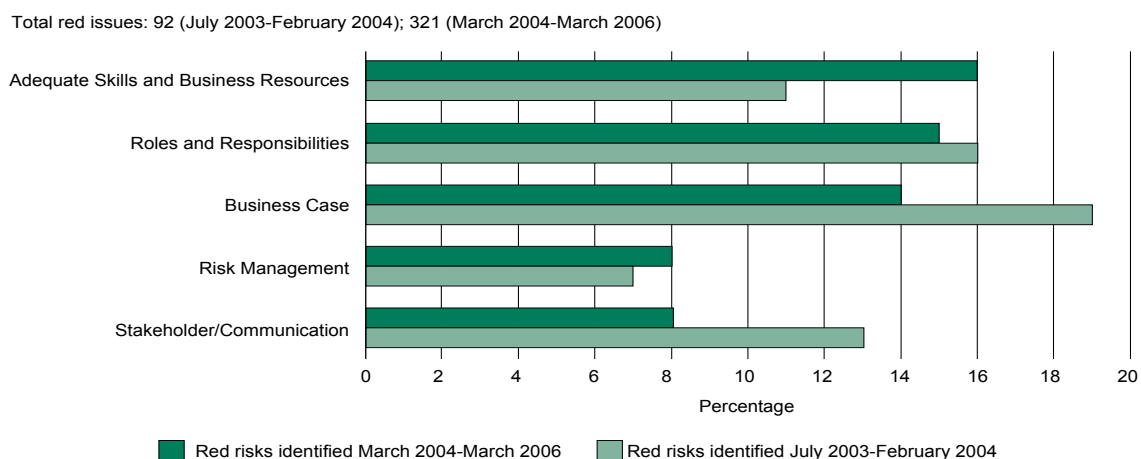
2 Setting standards for capacity and competence

13. To achieve successful delivery, departments need to be clear about the priority of the different change programmes in their portfolio and about their capacity and capability to deliver them. Prudential UK, for example, delivered its 1000-day transformation programme by managing the portfolio as a whole rather than as individual projects, which allowed the board to trade-off between projects in the best interests of the overall programme.³²

14. The Chief Information Officer Council is promoting a common approach to portfolio management designed to enable departments to plan better how to timetable and prioritise their programmes and projects and to keep Accounting Officers and boards informed of risks to delivery. A common approach to portfolio management will also provide a clearer overview of the totality of the Government's mission critical programmes and projects and hence the capacity and capability needed by both departments and suppliers to deliver them.³³

15. A key element in the 24 case studies of IT-enabled change identified in the C&AG's Report, was their recognition of the need to build the capability and capacity to deliver major programmes and projects.³⁴ Within central government, despite moves to improve capacity and capability, the skills and resources needed to deliver large IT-enabled business change remain a matter of concern for Gateway Reviewers (**Figure 4**), and for Heads of Centres of Excellence, more than 70% of whom remain concerned about a lack of programme and project management skills within departments.³⁵

Figure 4: Between the periods July 2003 to February 2004 and March 2004 to March 2006 the percentage of "Red" issues raised in Gateway Reviews of IT-enabled programmes and projects fell in three of the top five categories, but concerns about skills and resources rose.



Source: Office of Government Commerce

32 C&AG's Report, para 9; Q 1; *Case Study Volume*, page 76, para 5

33 *Ibid*, para 9; Q 1

34 *Ibid*, para 9; Q 4

35 Q 21; C&AG's Report, para 3.21

16. Senior civil servants are relatively inexperienced in running mission critical and high risk programmes and projects.³⁶ Around half (53%) of Senior Responsible Owners are in their first “SRO” role and the time they spend on the role is limited. Most spend only a minority of their time on their Senior Responsible Owner duties and for nearly half (45%) the role accounts for less than a fifth of their time.³⁷ The Delivery and Transformation Group acknowledges that departments’ skills in managing large IT-enabled change are weak and is seeking to re-build capacity.³⁸

17. For commercial organisations, IT-enabled change can be crucial to the success or failure of the business and, reflecting this importance, incentives and performance management regimes are geared to motivate those responsible to succeed.³⁹ Currently, Senior Responsible Owners are not rewarded for staying the course to delivery of their programme or project, or for taking ownership of risks.⁴⁰ Lack of experience combined with a regular turnover of Senior Responsible Owners, creates discontinuity and adds unnecessary risk to the management of IT-enabled business change.⁴¹

18. As programmes and projects make the transition from initial planning through to implementation and post-implementation, departments need to undertake careful succession planning to ensure that successful teams are deployed to best effect in order to consolidate their skills over a series of major IT-enabled programmes and to build up capability across government.⁴²

19. Successful client-supplier relationships are characterised by open and honest dealings between departments and suppliers, where outcomes are defined clearly and risks are shared.⁴³ Here, valuable lessons can be learned from major programmes and projects in longer-established sectors such as construction, for example Heathrow Terminal 5.⁴⁴

20. Departments manage their suppliers better when they specify clearly what they want delivered.⁴⁵ Allocating time up front to ensure that change is well thought through was important for the Northern Irish Criminal Justice Directorate’s Causeway Programme. The Directorate achieved clarity about what the business change should achieve by spending eight months on mapping the business processes involved in the Programme.⁴⁶ Similarly, OGCBuying.solutions spent time drawing on the experience of customers to help design an e-sourcing service that met their needs.⁴⁷

36 Qq 13, 19

37 C&AG’s Report, paras 2.12, 2.14

38 Qq 19, 20, 46–47

39 C&AG’s Report, para 9; Q 3

40 Q 72

41 Qq 54, 67–76

42 Q 68

43 Qq 40–41, 95–97

44 Q 44; C&AG’s Report, *Improving Public Services through Better Construction*, HC (2004-05) 364-1, Case Example 15

45 Q 64

46 C&AG’s Report, para 3.10; *Case Study Volume*, page 36, para 6

47 C&AG’s Report, para 3.12; *Case Study Volume*, page 26, paras 5–6

21. Major IT-enabled business change frequently involves the use of third party consultants to supplement the client's capacity. Britannia Building Society used third party consultants to validate at significant milestones whether the conditions for success were in place.⁴⁸ The Vehicle and Operator Services Agency used consultants to work with its front line staff who were experienced users of the existing system to help design the new process.⁴⁹ Consultants' input can also include assisting departments to manage suppliers, providing independent quality assurance of suppliers' work, and at the procurement stage helping departments shape their requirements and testing the quality of bidders' proposals.⁵⁰

22. Departments can derive maximum benefit from such arrangements by adopting a model similar to that of the Vehicle and Operator Services Agency, whereby in order to build up longer term capability its consultants were contracted to transfer knowledge and skills to the Agency's staff throughout the programme. The importance of skills transfer in building departments' capability was also noted in the C&AG's Report on central government's use of consultants; alongside a more general need for government departments to act as intelligent clients and use consultants effectively and sparingly.⁵¹

48 C&AG's Report, para 3.4

49 *Ibid*, para 3.11

50 *Ibid*, paras 3.3–3.4

51 *Ibid*, para 3.5; See also C & AG's Report, *Central Government's use of Consultants*, HC (2006-07) 128; *Summary*, paras 4, 6

3 Candour in reporting

23. With around £12–14 billion being spent each year on new and existing information technology, there is considerable risk to service performance and to public funds should major IT-enabled programmes or projects fail to deliver.⁵² Leadership from the top is essential for success and for the New York City 3-1-1 Citizen Service Center, for example, political leadership was key to driving through complex change.⁵³ In departments, Ministers have the power to halt major IT-enabled programmes likely to fail and to discontinue those that no longer meet policy objectives.⁵⁴ To ensure they are fully aware of risk, they need regular opportunities to meet with Senior Responsible Owners and also with those who have operational responsibility for the programme, including suppliers and contractors, who are often best-placed to set out the practical challenges.⁵⁵ Ministers are not always fully briefed, however, with only a half (52%) of Senior Responsible Owners having quarterly meetings with the nominated Minister and a fifth (21%) having had no meetings.⁵⁶

24. Accounting Officers have a responsibility to keep themselves fully informed of progress and of any risks to delivery. Senior Responsible Owners have a responsibility to ensure that Accounting Officers are kept informed and three quarters (76%) of Senior Responsible Owners of mission critical and high risk programmes met with their Accounting Officer at least once a month.⁵⁷ To ensure Accounting Officers receive timely notification of risks to delivery, however, the Office of Government Commerce is planning in future to write to them when a programme or project under their command receives a red status in a Gateway Review.⁵⁸

25. Involving suppliers in Gateway Reviews provides an opportunity for them to express concerns about the progress or management of programmes and projects. 80% of Senior Responsible Owners of mission critical and high risk programmes and projects had involved their main supplier in their most recent Review.⁵⁹

26. In line with the Intellect Supplier Code of Practice, suppliers also have a responsibility to offer constructive challenge to their clients to keep programmes and projects on track and to prevent unnecessary delays and increased costs. In the case of Pension Credit, the open relationship established between client and supplier enabled the supplier and project team to work together to challenge fifty requests from different business units for requirements changes.⁶⁰

52 C&AG's Report, para 1.1

53 Qq 1, 25–35; C&AG's Report, *Preface*, page 5, paras 2.8–2.10

54 Qq 8, 12, 25–35

55 Qq 10–12, 25, 95–96

56 Qq 27–33; C&AG's Report, paras 2.5–2.7, 2.8–2.9, 2.11

57 C&AG's Report, Figure 3, page 23, para 2.11

58 Q 12

59 Qq 40–41; C&AG's Report, para 3.22

60 C&AG's Report, Case Study Volume, paras 8–10

27. Boards can help keep programmes and projects on track and address risks by ensuring they are fully consulted where major changes are proposed to the specification, timetable or budget.⁶¹ For its “Really Big” transformation programme, Britannia Building Society’s board authorised a low (3%) budget contingency to ensure it was informed and could keep a grip on any major changes.⁶²

28. The Audit Committee of an organisation offers support and advice to the Accounting Officer on issues concerning risk, control and governance.⁶³ Failure to brief Audit Committees on the results of Gateway Reviews impairs a key means of independent scrutiny.⁶⁴ The Office of Government Commerce wishes to strengthen the role of Audit Committees in monitoring the risks to delivery of programmes and projects. Half of Audit Committees are already receiving Gateway briefings and it would be natural for all to do so.⁶⁵

29. Departments are required to report regularly to the Prime Minister through the Office of Government Commerce on the progress and status of their mission critical programmes and projects,⁶⁶ a list of which the Office of Government Commerce has now made public for the first time.⁶⁷ In the United States, transparency is greater in that the Office of Management and Budget makes public the status of all major programmes in a document updated quarterly.⁶⁸

30. The Delivery and Transformation Group’s first Annual Report published in January 2007 offers the first attempt at a high level commentary on expenditure on IT by departments and other bodies represented on the Chief Information Officer Council. The Annual Report provides a vehicle through which transparency and hence scrutiny of major IT-enabled business change can be developed further by departments reporting regularly on the progress of their major IT-enabled change programmes and projects, along the lines of their United States’ counterparts.⁶⁹

61 *Ibid*, para 2.7

62 *Ibid*, *Case Study Volume*, page 73, para 4

63 *Ibid*, Terms used in this Report, page 6

64 *Ibid*, para 2.19

65 Q 6

66 Qq 32, 34

67 Qq 86–88, 94, 105–107

68 Q 107; details of the President’s Management Agenda are at www.whitehouse.gov/results/agenda/scorecard.html

69 Qq 36–39, 100, 102, 105, 112

Annex: Key terms used in the report

1. **Mission critical** programmes or projects are defined as: “A: essential to the successful delivery of (i) a major legislative requirement OR (ii) a PSA target OR (iii) a major policy initiative announced and owned by the Prime Minister or a Cabinet Minister OR B: If the programme or project is not successful there are catastrophic implications for the delivery of a key public service, national security or the internal operation of a public sector operation.
2. **OGC Gateway Reviews** are undertaken by a team of experienced people independent of the project team at key decision points in a project’s lifecycle. For projects, there are five Reviews (Gates), three before contract award, a fourth at service implementation and a fifth to confirm the operational benefits. For programmes, there is an additional repeatable Gate 0 (Strategic Assessment) to determine if it is needed and if it is likely to achieve the required outcomes.
3. Every major IT change programme or project should have a **Senior Responsible Owner** (usually a Senior Civil Servant) to take overall responsibility for making sure that the programme or project meets its objectives and delivers the projected benefits. Key tasks include developing the business case, and monitoring and liaising with senior management on progress and risks to delivery.
4. All main government departments now have a **Chief Information Officer (CIO)** at or near board level who is responsible for championing the department’s IT programmes and projects and management of its overall portfolio. Most Chief Information Officers have a background in the IT industry, but some are generalist officials who undertake the role in conjunction with other responsibilities. The Chief Information Officer Council is the first initiative to bring together Chief Information Officers from across all parts of the public sector to address common issues and to spread good practice across.
5. **The Intellect Concept Viability Service** is a five-stage service provided for a small fee by the IT industry trade body Intellect: 1. Department submits a short written description of business need to Intellect. 2. Intellect invites selection of suppliers to comment. 3. Workshops facilitated by Intellect to exchange information between department and suppliers. 4. Intellect prepares Concept Viability Assessment based on suppliers’ collated responses. 5. Concept Viability Assessment made available to all interested suppliers prior to official procurement process.
6. Programme and Project Management (PPM) **Centres of Excellence** were established in departments in 2003 and 2004 as one of six key Cabinet actions to strengthen the delivery of government IT-enabled programmes and projects. Centres of Excellences are responsible for supporting the strategic oversight of programmes, including those delivering Public Service Agreement (PSA) targets, and for providing a continuous overview of the department’s portfolio of programmes, not just co-ordinating and reporting on the programmes, but challenging what must be delivered and how it will be delivered.

7. The **Programme and Project Management (PPM) Specialism** was established in October 2003. The specialism supports staff in government who wish to follow a career in programmes and projects rather than line-oriented career paths.
8. **Professional Skills for Government** is a programme intended to equip civil servants with the mix of skills and expertise to deliver effective services.
9. The **Technology in Business Fast Stream** is a new career route for graduates interested in delivering technology-enabled change within the public sector. Graduates are selected for their potential to become future Chief Information Officers or leaders of large IT-enabled business change.
10. The **Audit Committee** supports the Accounting Officer in monitoring the organisation's corporate governance and control systems and offers objective advice on issues concerning the risk, control and governance of the organisation and the associated assurances. It has no authority in its own right over the operations of the organisation or those bodies that conduct audit and assurance work (including Internal Audit).
11. **Portfolio management** refers to prioritisation of all an organisation's programmes and projects in line with business objectives and matched to its capacity to deliver them.
12. The **Intellect IT Supplier Code of Best Practice** sets out standards of professionalism that all providers of information systems and services to the Government should endeavour to meet.

Formal Minutes

Monday 14 May 2007

Mr Edward Leigh, in the Chair

Mr Philip Dunne
Mr Austin Mitchell

Mr Alan Williams

Draft Report

Draft Report (Delivering successful IT-enabled business change), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 30 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

Resolved, That the Report be the Twenty-seventh Report of the Committee to the House.

Ordered, That the Chairman 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 until Wednesday 16 May at 3.30 pm.]

Witnesses

Monday 27 November 2006

Mr Ian Watmore, Permanent Secretary, Head of Delivery and Transformation Group, Cabinet Office, and **Mr John Oughton**, Chief Executive, Office of Government Commerce.

Ev 1

List of written evidence

Office of Government Commerce

Ev 14

List of Reports from the Committee of Public Accounts Session 2006-07

First Report	Tsunami: Provision of support for humanitarian assistance	HC 25 (Cm 7018)
Second Report	Improving literacy and numeracy in schools (Northern Ireland)	HC 108 (Cm 7035)
Third Report	Collections Management in the National Museums and Galleries of Northern Ireland	HC 109 (Cm 7035)
Fourth Report	Gas distribution networks: Ofgem's role in their sale, restructuring and future regulation	HC 110 (Cm 7019)
Fifth Report	Postcomm and the quality of mail services	HC 111 (Cm 7018)
Sixth Report	Gaining and retaining a job: the Department for Work and Pensions support for disabled people	HC 112 (Cm 7019)
Seventh Report	Department for Work and Pensions: Using leaflets to communicate with the public about services and entitlements	HC 133 (Cm 7020)
Eighth Report	Tackling Child Obesity—First Steps	HC 157 (Cm 7020)
Ninth Report	The Paddington Health Campus Scheme	HC 244 (Cm 7076)
Tenth Report	Fines Collection	HC 245 (Cm 7020)
Eleventh Report	Supporting Small Business	HC 262 (Cm 7076)
Twelfth Report	Excess Votes 2005–06	HC 346
Thirteenth Report	Smarter Food Procurement in the Public Sector	HC 357 (Cm 7077)
Fourteenth Report	Ministry of Defence: Delivering digital tactical communications through the Bowman CIP Programme	HC 358 (Cm 7077)
Fifteenth Report	The termination of the PFI contract for the National Physical Laboratory	HC 359 (Cm 7077)
Sixteenth Report	The Provision of Out-of-Hours Care in England	HC 360 (Cm 7077)
Seventeenth Report	Financial Management of the NHS	HC 361 (Cm 7077)
Eighteenth Report	DFID: Working with Non-Governmental and other Civil Society Organisations to promote development	HC 64 (Cm 7077)
Nineteenth Report	A Foot on the Ladder: Low Cost Home Ownership Assistance	HC 134 (Cm 7077)
Twentieth Report	Department of Health: The National Programme for IT in the NHS	HC 390
Twenty-first Report	Progress in Combat Identification	HC 486
Twenty-second Report	Tax credits	HC 487
Twenty-third Report	The office accommodation of the Department for Culture, Media and Sport and its sponsored bodies	HC 488
Twenty-fourth Report	Owfat: Meeting the demand for water	HC 286
Twenty-fifth Report	Update on PFI debt refinancing and the PFI equity market	HC 158
Twenty-sixth Report	Department of Work and Pensions: Progress in tackling pensioner poverty—encouraging take-up entitlements	HC 169
Twenty-seventh Report	Delivering successful IT-enabled business change	HC 113

The reference number of the Treasury Minute to each Report is printed in brackets after the HC printing number

Oral evidence

Taken before the Committee of Public Accounts

on Monday 27 November 2006

Members present:

Mr. Edward Leigh, in the Chair

Mr. Richard Bacon
Mr. David Curry
Mr. Austin Mitchell

Dr. John Pugh
Mr. Don Touhig

Sir John Bourn KCB, Comptroller and Auditor General, National Audit Office, was in attendance and gave evidence.

Mr. Marius Gallaher, Alternate Treasury Office of Accounts, was in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

DELIVERING SUCCESSFUL IT-ENABLED BUSINESS CHANGE (HC 33-i&ii)

Witnesses: **Mr. Ian Watmore**, Permanent Secretary and Head of the Delivery and Transformation Group, Cabinet Office, and **Mr. John Oughton**, Chief Executive, Office of Government Commerce, gave evidence.

Q1 Chairman: Good afternoon. Welcome to the Public Accounts Committee. Today we will be looking at the Comptroller and Auditor General's Report, *Delivering successful IT-enabled business change*. We welcome Mr. Ian Watmore, who is head of the Prime Minister's Delivery Unit, and Mr. John Oughton, who is Chief Executive of the Office of Government Commerce.

Mr. Watmore, first let us ask you about the Pension Credit success. It is dealt with from page 19 onwards in Volume II of the Report that deals with case studies. What lessons can be applied across the rest of government? What lessons can we learn from this successful IT project and how can we apply them across the rest of government?

Mr. Watmore: Thank you, Chairman. The Pension Credit example is one that is brought out throughout the Report as a good example of getting the right political and business leadership into the programme before it is started and then really sampling the views of the customers of the particular system—in this case, the elderly who will be in receipt of it. In order to do that, it researched very carefully how best to deal with pensioners and, as a result, ended up designing a solution that was fit for its purpose.

Q2 Chairman: Yes, but we have had a lot of trouble with that Department in the past, particularly the Child Support Agency. Why do you think that it could successfully deliver Pension Credit, but perhaps not successfully deliver IT in the Child Support Agency, or was that just because child support is a much more complex area?

Mr. Oughton: Child support certainly is a complex area. This is about the passage of time and our developing learning and improvement in capability. The Child Support Agency change programme went through a gateway review process, but it started that

process very late because, of course, the initiative started many years ago. The pension transformation programme is more recent. It has benefited from our learning and experience across government as a whole but, as Mr. Watmore said, it has also been very focused and disciplined in how it planned the changes that have been implemented.

Q3 Chairman: So you emphasise the importance of gateway reviews, Mr. Oughton?

Mr. Oughton: I think that they are an important ingredient both in learning about the success factors in projects and sharing that good practice with other programmes and projects in turn.

Q4 Chairman: So you would be happy if they were more widely published.

Mr. Oughton: I would be happy if their learnings were more widely available, which I think that they are.

Q5 Chairman: Available to who?

Mr. Oughton: They are available to all other programmes and projects through the work that we do to identify common causes of failure and common success factors, and then share them across other programmes and projects in turn.

Q6 Chairman: Would you like to look at paragraph 2.19 on page 32? Why are nearly half of audit committees not briefed on the outcome of gateway reviews? Do you regret that? Are you going to do something about it?

Mr. Oughton: I think that an audit committee has an important role in assurance. My personal view is that it would be appropriate for audit committees to see the progress on major programmes and projects in the Departments in question. But the question of how an audit committee plays its assurance role is

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one ultimately for that audit committee. I could not—and would not wish to—mandate a particular approach. My personal view is that it is helpful for audit committees to have that information available.

Q7 Chairman: Given your responsibilities, I think that your personal view is very influential. I am sure that the Committee would wish to support you in that personal view.

There is some confusion about your joint roles. Would you both like to look at paragraph 5 on page 17? I would like to ask this question of both of you. One of you is obviously responsible for the IT profession and the other for the programme and project management, so who ensures that a Department has the ability to deliver successful IT change? Could both of you answer? Who is ultimately responsible? Is there any confusion in your roles?

Mr. Oughton: Ultimately, of course, the Department itself is responsible and accountable for the delivery of all programmes and projects within its area. Our roles—our different, but connected roles—are about supporting and helping that delivery. However, we do not have the ultimate accountability for that delivery—that is with the Department.

Q8 Chairman: You do not have the ultimate accountability? Would you like to look then, Mr. Oughton, at appendix two, paragraph 5? It describes a situation in which we have a failing project. What means do you have personally to stop a failing project? At the margins of efficiency seminar that we did last week, my colleague, Richard Bacon, mentioned somebody in Italy who is in your sort of position and who has the power to step in and stop a project. Would you like such a power? What powers do you have?

Mr. Oughton: We have the powers of engagement with a Department—

Chairman: But engaging with a Department is influence, rather than power.

Mr. Oughton: If I can just explain how we operate that, I think that you will understand the point, Mr. Chairman. By that, I mean that, for all the key programmes—the top 20, if you like—and for all the mission critical programmes, we expect and demand that gateway reviews are undertaken at specified points. For the top 20 programmes, we have now laid down a plan with milestones so that gateway reviews are done at particular points. As you know, Mr. Chairman, if a gateway review produces a red rating, that rating says to the Department, “On this project or programme, there is some urgent action that you must take straight away.” If red ratings occur twice in a row, I will intervene with the Accounting Officer in the Department—with the Permanent Secretary—to draw that to their attention, and I would expect action to be taken. So, the gateway review process is not a soft process at all; it is actually quite a hard and intrusive process, which identifies issues that need to be tackled straight away and, in the case of red recommendations, obliges that Department to lodge with us an action plan in response to the red rating.

Q9 Chairman: Okay. I apologise, Mr. Watmore, because I asked a supplementary of Mr. Oughton and did not give you an opportunity to reply to the initial question.

Mr. Watmore: That is fine, Chairman. As the Government’s Chief Information Officer, which I was until January of this year, I was responsible for the IT profession. About 30% of any IT activity is on new projects and programmes; about 70% is on running the existing show to make sure that we pay benefits, collect taxes and so on every day. Only about 30% of any project or programme is really about the IT, so while there is an overlap, I hope that a big portion of my job is outside projects and programmes, and *vice versa* for John.

Chairman: Thank you. Could you speak up a bit?

Mr. Watmore: I am sorry.

Q10 Chairman: Mr. Watmore, do you think that it is important that Ministers are involved in this process?

Mr. Watmore: Of course. I think that leadership of any function or programme starts at the top, and the top in this particular case is Ministers.

Q11 Chairman: Would you like to look at paragraph 2.11, which you can find on page 31? According to that paragraph, a fifth of senior responsible owners do not discuss progress with their Minister. What do you make of that?

Mr. Watmore: Personally, I think that the progress of all projects should be raised to the highest levels of Departments so that when there is a need to intercede, the information is there.

Q12 Chairman: So, Mr. Oughton, how are you going to ensure that Ministers are fully informed of progress? How are you going to make sure that there is not a culture of just saying “Yes, Minister” or, indeed, as the information that I have just relayed to you suggests, of not informing Ministers at all? How will you ensure that they actually step in and stop a project and that they are given honest advice? Again and again, when we have come across failing projects, civil servants have not had the courage to tell Ministers, “I think you should pull this project.”

Mr. Oughton: I have also read paragraph 2.11 carefully and I agree that the picture is not satisfactory in every case. I would also expect Ministers to have this information in front of them. I am contemplating a number of ways in which we can strengthen the gateway review process further. One might be to bring a first red rating to the attention of Accounting Officers in Departments rather than waiting for two consecutive reds. I am contemplating—although of course we would have to advise Ministers about the change in procedure—whether we should also alert Ministers directly at that point. I would certainly give every encouragement to programme directors, senior responsible owners (SROs) and Accounting Officers to bring any difficulties to the attention of the supervising Minister—the assigned Minister—at an early stage. I read paragraph 2.11 in a constructive spirit, because if you were to go back five or six years

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to the time before the gateway review process started, you would not find assigned Ministers for projects in every case in this way. We have made considerable progress and we just need to tighten that further.

Q13 Chairman: Do you think it is important that senior responsible owners are very experienced in this field, particularly when dealing with major critical programmes?

Mr. Oughton: Yes, I think experience is important. You must remember, Mr. Chairman, that the concept of a senior responsible owner as such is a relatively recent one. I would be very surprised if I were to pick up a CV of a current SRO and find that he or she had been an SRO in times past, as we just did not describe them in that way, but many of them will have had responsibilities for programmes and projects before. Because SROs need support and assistance to undertake their roles effectively, we provide a number of ways of support for them from the Office of Government Commerce. One is through a mentoring scheme; one is through providing non-executive board members to the major programmes and projects—very senior and experienced figures from the public and private sectors who can provide new SROs with the support to help them to develop their roles.

Chairman: Thank you very much. I think Mr. Touhig has some questions now.

Q14 Mr. Touhig: Mr. Watmore, the Report makes it clear on page 4 that it is about success and how IT-enabled business change can be got right. That probably comes at some relief to you both, I am sure. We have had some of your colleagues here with miserable tales of failure and excuses for incompetence but in your particular case you have had a successful career outside government, have you not?

Mr. Watmore: I have—I like to think that I have, anyway. This comes as a relief in one way and is not surprising in another. I have observed the government industry both as a supplier and as an industry watcher, if you like, over a long period of time. For every one of the projects that becomes a *cause célèbre*, I have known literally dozens that go on very successfully every day. This has been a good opportunity for us both to bring some of those to the surface and to learn the lessons from success as well as learning the lessons from problems and failure.

Q15 Mr. Touhig: You have started on a high; you have to keep it up now. You were managing director of Accenture from 2000 before joining the civil service. Of course, when you joined Accenture it was not called Accenture, but Andersen Consulting.

Mr. Watmore: It was indeed.

Q16 Mr. Touhig: The company changed its name to Accenture just months before the Enron scandal broke and Andersen Consulting got rather bad press as a result.

Mr. Watmore: I think you will find that the company now known as Accenture had left under the arbiter's judgment.

Q17 Mr. Touhig: You are a man of vision then, or just lucky?

Mr. Watmore: I think it was a combination of both.

Q18 Mr. Touhig: Napoleon used to prefer lucky generals to any other kind, so you have made a good start.

Drawing on your private sector experience, have you found that the civil service is receptive to the kind of ideas that you can bring in from the private sector?

Mr. Watmore: I have, actually. A lot of people have asked me that since I joined and have said, "How is it? What's it like? Do they reject you? Are there antibodies surrounding you and pushing you out?" The answer has been, "Not at all." I have been genuinely warmly welcomed, a lot of people have been keen to hear advice and guidance, and I have learnt a lot in return. Another fact that I was very clear on when I joined was that the public sector tends to do more difficult things than the private sector has ever done. It is not a question of our copying what goes on in the private sector, because it has somewhat easier challenges.

Q19 Mr. Touhig: Paragraph 3.20 on page 36 makes the point that very often there are serious commercial skill weaknesses among the staff in the civil service. Would you agree that that is a fair assessment?

Mr. Watmore: I think there is a point about the side that this document refers to as the intelligent planned part of Government, which has been weakened. When I first worked with the Government, in the 1980s, it was quite a strong part of the Government side of the machine, but in the 1990s a lot of the IT capability was outsourced to the private sector, and the effect that Government had in the return side was to say, "Well, we don't need a big strong cadre of people on our side, because we have outsourced it." Of course, the experience is you need both a strong intelligent client or customer function and a strong supplier. It is in that area that I and my colleagues are most strongly trying to rebuild capability.

Q20 Mr. Touhig: So there is a skills gap?

Mr. Watmore: There definitely was, but that gap is closing.

Q21 Mr. Touhig: On page 37, paragraph 3.25 refers to the inexperience of many senior responsible owners. Do you find that you are able to learn lessons—people are able to learn from one another? Very often, I find at these sessions and in reports that come to us that Departments do not look at the lessons learned. Is there a lessons-learned culture?

Mr. Watmore: Again, I would say that historically the Government were siloed in this across their different Departments, whereas we are trying to create a culture of sharing and learning across. One of the first things we did was to create what we call

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the Chief Information Officer Council. That is the heads of IT of all the major Government Departments, meeting regularly, commissioning work offline to—

Q22 Mr. Touhig: So trying to get them out of the bunker?

Mr. Watmore: And get them out of the silos.

Q23 Mr. Touhig: It is not only politicians who suffer from departmentalitis, then?

Mr. Watmore: It is just to get the lessons learned across Whitehall as well as deeply within the Department.

Q24 Mr. Touhig: The preface says on page 4, “We do not in this Report consider the issue of the different types of contracting arrangement, whether highly legalistic with exacting penalty clauses for non-performance, or ones based more upon partnership.” Given your background, do you think one size fits all here and it is better to have a partnership approach to solving IT issues, or a very heavy contract from which there are very severe penalties?

Mr. Watmore: I am always cautious about saying one size fits all for any problem, but in this particular space I very much lean towards the partnership end of the spectrum. In my experience, adversarial contracting ends in a lose-lose situation—both sides lose. We can look at all the best successful projects, and the Report draws this point out. To go back to the Pension Credit example, one of the reasons why success appeared there was that there was a co-operative relationship between the buyer and the supplier.

Q25 Mr. Touhig: Yes, that is interesting. The preface says on page 5, “This Report should act as an encouragement to those in Government responsible for IT-enabled business change to believe that success is entirely possible.” Self-belief is the first one we must all have, of course. The preface then says, “But from the outset such change requires clarity of purpose, clear leadership and commitment from the very top—including Ministers”. The Chairman introduced the subject of Ministers earlier. Ministers enter the equation at last in this respect.

Let us look at page 31. The Chairman touched on some of the points in paragraph 2.11 about the lack of contact Ministers have with SROs. Mr. Oughton, I think you made the point that there had been changes and that now every Department has an assigned Minister when you have an IT project, but what is the point if they do not meet those who are carrying out the work?

Mr. Oughton: Well, not all of them do as frequently as perhaps is necessary, but I think—

Q26 Mr. Touhig: 20% have never met their Minister at all, it appears.

Mr. Oughton: Yes, and my personal view is that the Minister should expect to receive information on programmes and projects frequently enough to discharge their responsibilities.

Q27 Mr. Touhig: I am sure. Who is responsible for that? Is it the civil service or the Minister?

Mr. Oughton: It is a combination, clearly. The Minister has to discharge his or her responsibilities. The Accounting Officer has to do the same. Both should have a shared interest in wanting to ensure that everybody is aware of the issues on a programming project as it proceeds.

Q28 Mr. Touhig: When I was a Minister and I was charged by my Secretary of State to try to solve a problem we had in the Department, we decided on a course of action, but I was actively discouraged from meeting the people responsible for it day to day. First, I was told they are of a salary grade that should not be brought into the presence of a Minister. Secondly, I was told that they would be overawed to be brought into the presence of a Minister. But when I got the people in, they would have frightened Rommel—they would have put anybody off. Do you think that that is widespread? Senior civil servants sometimes discourage their consultants from coming in and having face-to-face contact with Ministers.

Mr. Oughton: I certainly have not run into a problem of gradeism in making the connection between Ministers and civil servants, so I am surprised by your experience.

Q29 Mr. Touhig: It comes down to priorities. Ministers have to decide their priorities, of which they sometimes have so many. Do you find that Ministers are being given the information to understand that IT projects are a major priority for them?

Mr. Oughton: My experience with those programmes with which I have had the closest connections suggests to me that, yes, Ministers are. Let us consider the *Connecting for Health* programme, on which the National Audit Office reported earlier this year and the Committee took evidence in the summer. The Secretary of State and Health Ministers are involved very closely, with regular stock takes on a monthly and, in the case of Lord Warner, weekly basis to ensure that they are absolutely up to date with the progress of the programme. I think that that is a very good model.

Q30 Mr. Touhig: But is there a format for a standard letter or a routine whereby a new Minister is briefed by his officials and told: “Minister, you are responsible for IT projects.”? Is it made absolutely clear that that is a priority?

Mr. Oughton: That is not standard across Government as a whole.

Q31 Mr. Touhig: Should it be? Mr. Watmore, you are one of the Prime Minister’s top advisers on delivering public service priorities. Should that not be a priority?

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Mr. Watmore: The phrase that you used in the question—IT projects—needs to be developed. I do not perceive there to be such a thing as an IT project. There are only business projects that happen to have IT at their heart. If those are described and presented as IT projects, that does not connect to the ministerial agenda. However, if they are described—appropriately—as business projects for which the Minister is primarily responsible, it goes hand in glove that he or she should be made aware of the current status, should seek regular updates and should be able to act when necessary.

Q32 Mr. Touhig: I certainly found in my experience as a Minister serving in the present Government that if the Prime Minister was engaged on an issue and convinced that a certain course of action was needed, and if an instruction came from No. 10, there was a response from the civil service and the Minister. Perhaps you might continue the success by suggesting that.

Mr. Watmore: That certainly helps.

Mr. Oughton: Mr. Touhig, keep in mind that that process works already in major mission-critical programmes. I report to the Prime Minister periodically—quarterly—on the key, mission-critical projects. I would expect him and his office to follow up with individual Departments where he found issues that warranted that. So that system works now.

Q33 Mr. Touhig: I, too, have had experience of that, but I am saying that it should be fairly standard if IT projects are vital to the core business of what the Government want to do. The Report highlights successes; we want to underpin those successes. If, from the top, Ministers who are charged with that responsibility are told quite clearly, “This is what you have to take on board”, it will be on their agenda every day.

Mr. Oughton: I think that we are in agreement on that.

Mr. Touhig: Progress indeed.

Q34 Chairman: You say that you report to the Prime Minister quarterly. Is that personally?

Mr. Oughton: Yes, that is correct, although of course my report draws heavily on the advice of my own staff in the Office of Government Commerce and on Mr. Watmore’s and Mr. Suffolk’s staff in what was formerly the e-Government Unit.

Q35 Chairman: Is the Prime Minister personally committed totally to computer technology?

Mr. Oughton: You would have to ask him that question.

Chairman: He is notoriously not.

Mr. Oughton: He is certainly committed, as I think is clear in all his statements, to a major modernisation programme, and many of the changes that he is pursuing of course require IT enablement to make them happen.

Chairman: Thank you for that answer. Dr Pugh.

Q36 Dr. Pugh: I think that you have put on record your opposition to the publication of gateway reviews, but you will be aware that the magazine *Computer Weekly* has campaigned in favour of US-style legislation that would compel the public sector to police good practice and publish the results. I think that you are familiar with that proposal, but presumably demur from it. Can you explain what you understand by that proposal and your objections to it?

Mr. Oughton: My objection, if I may start there, is that the gateway review process, when it was first established, drawing on examples of similar techniques used in the private sector, was designed to be an independent peer review process of major programmes and projects done for the project and senior responsible owner, and conducted confidentially to encourage those involved in the project to speak their minds and to speak frankly about the challenges and the difficulties that they saw. The review was to take place in what we call a safe space so that people could speak frankly. We believe very strongly that, in that way, problems can be identified sooner than would be the case if the process were conducted in the public spotlight.

Q37 Dr. Pugh: But America has different legislation. What is going wrong in America as a result that leads you to think that this legislation has no place in the UK?

Mr. Oughton: My view is that legislation would not be appropriate here.

Q38 Dr. Pugh: Would it be detrimental?

Mr. Oughton: I think it would make our job more difficult because the gateway review process, as I said, is conducted in a private fashion. Now of course, as you probably know, Dr. Pugh, we are currently engaged in an appeal against a request under the Freedom of Information Act 2000 for release of gateway Reports relating to the Government’s identity card programme. With the agreement of Ministers we are pursuing that appeal. It is extremely difficult for me while that appeal is under way and before it comes to the Information Tribunal in March to comment in substance on what we might say in that appeal process, so if you will forgive me I cannot go down that road.

Q39 Dr. Pugh: But I am asking you what is going wrong in the USA, which has this legislation.

Mr. Oughton: I do not think there is anything going wrong in the USA. I think our models and our approaches are fundamentally different. In the United States system much of what is achieved in government is necessarily done through legislation. In the British system much of that can be achieved through administrative action without the need for legislation. This is one of those cases where I believe the benefits of a thoroughgoing review of a programme and a project can be achieved without the need for legislation to mandate it.

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Dr. Pugh: It is a question of different cultures.

Mr. Oughton: I think so. Ours is a very different approach, based on administrative action, in the UK.

Q40 Dr. Pugh: Okay. The CBI, in a pamphlet called “Improving Delivery”, says that a mechanism should exist to identify flaws in procurement from the supplier side. Do you agree with that, and would you like to comment on it?

Mr. Oughton: I think that there needs to be an improvement in the procurement process, both on the Government side and on the supply side, to be frank. I think we have a commonality of interest in making progress there.

Q41 Dr. Pugh: But the CBI is suggesting there should be mechanisms whereby suppliers can raise concerns about the way procurements are progressing. Do you agree with that?

Mr. Oughton: Yes, I do, and they can do that now. I have suppliers who approach me, as representing the Government’s centre of excellence on procurement—the Government’s repository of procurement knowledge—if they have concerns about individual procurements. That is a perfectly reasonable thing to do.

Q42 Dr. Pugh: Okay. May I raise two specific areas of concern? One is the length of time procurement can actually take. I hear complaints often from small and medium-sized enterprises that it penalises them. They simply cannot stay the course and in the end the contracts go to the usual suspects, who are cash rich and can stay in the process. Do you have sympathy with that point of view?

Mr. Oughton: Yes. I think some procurements do take a very long time. We have tried to do two things to tackle that issue. The first is to remove some of the barriers and the difficulties that particularly affect small and medium-sized enterprises when they wish to bid in Government. A lot of the process is tied up in the prequalification questionnaires, the answers that small companies have to give to requests for information from Government, and then the lengthy process of advertisement and tendering. All those processes are disproportionately burdensome for small companies, so what we have done is to introduce a package of measures to remove some of those burdens to make it easier for small and medium-sized companies to get their foot through the door and to compete on an equal basis with larger firms.

The second thing we have done is to look at the whole of the procurement process from end to end to see whether it can be shortened. There are particular issues, which I think are most worrying, around the time it takes from down-select to preferred bidder, and then to negotiate the final contract. That is process that we would wish to see accelerated, so I agree with you: we need to move as swiftly as we can.

Q43 Dr. Pugh: On another level playing field issue, it is put to me that one reason why American companies are fairly unsuccessful in bidding for

Connecting for Health is that, according to American legislation, they need to display the risk they are bearing. Japanese companies, for example, are not so disadvantaged. Does that cause you concern?

Mr. Oughton: No. It does not cause me concern and I do not think it has caused the programme concern. I think the procurement process for *Connecting for Health* was an exemplary example of procurement. It was run to a very tight and rapid time scale; it started when it was intended and completed when it was intended; and it produced a very good result. I do not think any of the suppliers were disadvantaged in that process.

Mr. Watmore: I think also that a number of the companies that did succeed were US-domiciled Sarbanes-Oxley-controlled companies. As far as I know, the majority were.

Q44 Dr. Pugh: Right. You have expressed a preference for a partnership approach in procurement—more hand holding, more user involvement and so on—rather than gold-plating the initial tendering process, which the CBI also has reservations about. The obvious objection to that, though, is in controlling costs. Obviously, if you have a fixed contract that is delivered on a specific day and states everything that is involved, you can cap the costs. How do you address the obvious criticism of a partnership approach, which is more open ended and the costs of which are more difficult to control?

Mr. Oughton: It is about how you manage the risk. I think that we should be trying to achieve two things: first, a very rigorous and competitive selection process, so that the client—the Government—have confidence that they have selected the supplier that is best placed to undertake the work. Then, at the point when you select that supplier and place your trust in them to work with you to deliver, you need to build a relationship so that both client and supplier are working together. Some of the best examples of projects that have run to time and controlled costs have been those in which the risks have been shared. The construction of Terminal 5 at Heathrow is a very good example of that: clients and suppliers worked together in a partnership. It was not a soft and sloppy arrangement by any means, it was a tough and very hard thing to do, but building those relationships meant that everybody was equally responsible. They all had skin in the game—they were equally responsible for ensuring that the risks and costs were properly controlled. That is a good model.

Q45 Dr. Pugh: In the NAO Report, the Department for Work and Pensions has come out with a gold star, as it were, for high-style, good-quality procurement. You must have some feeling for which Government Departments are not quite so capable and competent in the IT procurement game. Are you willing to name any of them, or some of the bottom performers?

Mr. Oughton: I do not think that you can really do it on a league table by Department. You have to look at the individual programmes and projects in turn to

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see how successfully they are delivering. One of the most important features in the Department for Work and Pensions is that it has a strong commercial function, with a commercial director who is situated close to the top of the organisation and has a direct line to the board and to the accounting officer. We were talking earlier about the importance of initiating programmes and projects soundly. Having such a commercial dimension available at the start of a programme is extremely important. That is a good feature of the way in which the Department does business.

Q46 Dr. Pugh: Apart from that, are there other things that correlate with good procurement—for example, the extent to which a Department has IT expertise of its own in-house? Is that a key factor?

Mr. Oughton: As Mr. Watmore said, one of the challenges that we have had has been to rebuild the internal capability of the Government so that as a client, we have sufficient expertise in the procurements that we are undertaking to ensure that we get a good deal.

Q47 Dr. Pugh: So if we compare a Department that has very strong in-house IT specialisms and another that relies very heavily on consultants, which, in your experience, does the job better?

Mr. Oughton: I do not think that I would narrow it down just to IT specialism, actually, Dr. Pugh. It is about having a range of skills in a Department, including good business acumen, good commercial skills, and good programme and project management skills. Good IT specialist skills would certainly be part of that, but all those skills are necessary and need to be available to the client. In many cases people with those skills are and should be permanently on the books of a Department. We should have staff in Departments who are capable of doing those things. However, there will always be circumstances in which it is necessary to buy in and reinforce the skills available inside Government with specialist, expert knowledge from outside. I see nothing wrong in that, but I think that to rely only on external skill would not be an appropriate way in which to proceed.

Q48 Dr. Pugh: Without asking you to name any particular enterprise or Department, can you think of examples in which there has been IT specialism and consultants, but project management has let the whole process of procurement down?

Mr. Oughton: As I am sure the Committee will be aware from the reports that it has had before it, there is a range of performance across Government. As I said a minute ago, all the skills that I have identified—programme and project management skills and all the others—are essential ingredients for ensuring success in the delivery of a programme.

Q49 Mr. Mitchell: Sir John, I always get suspicious when we are asked to examine success stories, because I wonder what is behind them. What proportion of those in the Government in particular—there are four private sector

organisations and some utilities in the 24 studies—can be rated as success stories and what proportion can be rated as failures? We need to put that into perspective.

Sir John Bourn: We did not approach the exercise in that way. Given the great catalogue of programmes and projects that had run into difficulties and had a large IT component, the purpose of the exercise, and what we thought we would do, as an innovation, was to look at projects that had succeeded, with the idea that you can learn lessons from success just like you can learn lessons from failure. That was the genesis.

Q50 Mr. Mitchell: Okay, but there are 120 high-risk or mission-critical contracts, so 20 is not a high proportion.

Sir John Bourn: No. We did not seek to say that x% are okay and y% are not because, as has come out from the witnesses, they are not IT projects; they are programmes and projects, almost all of which in government today have an IT component. Tempting though it is to say that the total number of projects and programmes is x and that 50% are okay and 50% are not, it would be a very difficult thing to do, but I take the point of your question and will think about it and come back to the Committee with a response.¹

Q51 Mr. Mitchell: Thank you. I would be grateful for that.

Another thing that strikes me is that you have given the criteria for success and the recommendation of success—what has worked and what has not—but a common factor seems to be that although a couple of projects are around £1 billion, most are fairly small and straightforward. Is that the main criterion for success?

Sir John Bourn: That is certainly one of the main criteria for success because, in our experience, many of the difficulties have arisen when a project with many elements is sometimes taken forward with a large number of partners, and the client does not have a full understanding of what he is trying to do and alters it as he goes along. In those circumstances, you can say that many of the projects and programmes have run into difficulties. As Mr. Watmore and Mr. Oughton said, lessons are being learned, but certainly many of the difficulties arose for the reasons that I outlined.

Q52 Mr. Mitchell: Let me turn to Mr. Watmore, Head of the Delivery and Transformation Group, which sounds like a cross between a maternity ward and a lifestyle change.

I wonder whether there is not a problem. There is an enthusiasm for initiatives, which I think the Prime Minister and the Government share—this is a Government of initiatives launched from on high, backed, as we said, by notes from No. 10 saying, “Get with it”—and for then pushing them across the whole spectrum of the public service. Is there not a danger with these kind of projects—this missionary enthusiasm—that Departments are led to believe that they are under pressure to go for IT and other

¹ Recommendation in Report.

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things described in your agenda, which inhibits cool consideration of what will work and whether it is better to hang on a bit and let other people make mistakes?

Mr. Watmore: The Delivery Unit often gets described as bringing pizzas to No. 10. That is how people usually refer to my job. The transformation part of the agenda is primarily what we are talking about here. We published the strategy last November, and I think people have found that strategy compelling because it is simple.

Q53 Mr. Mitchell: Does it not impose a pressure on them?

Mr. Watmore: I absolutely concur with your premise that programmes and projects that are complex, difficult and overly ambitious from the outset create problems in delivery downstream. We tried to keep our strategy simple with two broad themes. One was to keep it focused on the end citizen or the business customer of the Government. The second was to share across our boundaries and reuse what we already knew and had built rather than to reinvent the wheel and build it again for the 25th time. I think that those two principles are beginning to permeate all the change that we are trying to grow.

Q54 Mr. Mitchell: Let me put it another way. If I were in charge of a Department and I knew that that enthusiasm was coming down from you as the missionary propagating it, I would want to embark on some high-flown IT contract to shine in your eyes and those of the Prime Minister, safe in the knowledge that if it was a cock-up I would have moved on to something else within two or three years and would not get the blame for it. It is the pressure that I am worried about.

Mr. Watmore: I have two comments. First, I do not recognise the idea of a technology project. If it is a technology project, it is doomed to failure. It has to be for a purpose that is backed and delivered by Ministers and the Department. Without that, it is doomed to failure. Secondly, if that business ambition is the right one, whether it is a policy initiative or an efficiency initiative, it will survive the change of personnel that inevitably occurs. I personally think that there is too much rotation of officials in roles and that people should last the course longer so that they can deliver the tasks that they set themselves, but even if they change their roles, if the business mission of the programme is clear and it will deliver benefits to the citizen, I think that it will outlast a change of personnel.

Q55 Mr. Mitchell: Let me put it another way. You were a poacher before you became a gamekeeper. In your recollection, was it your impression as a poacher—to reincarnate your previous experience—that the Government were an easier sell, perhaps too easy?

Mr. Watmore: No, it was not, actually. It was exactly the opposite. I used to look for any private sector business first and do the Government only if

I had to. That was because, as the questioner said earlier, the procurement regime was time-consuming, costly and very difficult to read.

Q56 Mr. Mitchell: So you did not think that the civil service could be more easily conned?

Mr. Watmore: On the occasions when I worked in the Government sector as a supplier, I had two experiences. Both of them were in places that were fantastically important and therefore really valuable projects to undertake, not small and insignificant. In one, the computerisation of social security in the late 1980s and early 1990s, I found absolutely superb teamwork between Ministers, officials and suppliers. The programme that was delivered in that era lasts to this day, nearly 20 years on. In the second, one of the ill-fated Government Private Finance Initiative contracts, I found the opposite. It became legalistic, contractual and adversarial, and in the end, public administration suffered. I come back to the idea that if you want to have a successful outcome for citizens, you must first of all set it in that guise; secondly, you must have the skills to do it; and thirdly, you have to have a partnership climate in which to deliver it.

Q57 Mr. Mitchell: Let me turn to the Office of Government Commerce. There was an interesting article in yesterday's *The Sunday Times* colour supplement, which you may have read. Did you read it?

Mr. Oughton: I did indeed.

Q58 Mr. Mitchell: It gave the impression that the Office of Government Commerce was the representative of some kind of consultant mafia in the Government, and that you were there to get them all in rather than to exercise any control over the industry.

Mr. Oughton: That was not how I read the article, Mr. Mitchell. I think that our position is pretty clear, as I explained to Dr. Pugh. There will be occasions when it is necessary to acquire external assistance and support to deliver major programmes and projects. There is a range of skills that we have to buy in. Some of them are research, some might be implementation of major systems, and some of them will be strategic-level support for Departments' main boards in setting strategy in major reorganisation of the Departments, but most of what is bought in is project delivery support.

Q59 Mr. Mitchell: Is it your job to arrange marriages, or to control and select?

Mr. Oughton: There are two ways of employing consultants from outside. One is to go out into the marketplace, place an advertisement in the Official Journal, run a competition and select a supplier to provide support. That is a very straightforward way of doing business, but it is time-consuming, and the transaction costs for both parties are sometimes considerable.

Another way of doing it is through my office's framework agreements, or Catalist as they are called. That is the process whereby we run competitions and pre-select a range of suppliers who

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have to demonstrate value for money and who then sit on a list on the framework contract and can be employed—

Q60 Mr. Mitchell: Sounds a bit makeshift to me.

Mr. Oughton: No, I would not describe it in that way. I would describe it as a way of pre-selecting suppliers who have the appropriate skills and can provide a value for money solution, and who can then be employed rapidly should they be required by Departments.

Q61 Mr. Mitchell: Do you keep registers of who does bad work and who is responsible for cock-ups? I remember that, when we talked about Accenture, we mentioned that Andersens after the DeLorean audit, which was a piece of bad audit—an appalling and crooked audit—was precluded from Government contracts. That meant Andersens' consulting arm was precluded under the Tories. Bearing in mind that when we came in that was suddenly lifted, have there been similar sanctions exercised in the consultancy business against any consultants responsible for any of the cock-ups or over-spends?

Mr. Oughton: I do not recall a sanction similar to the one you have described in relation to DeLorean.

Q62 Mr. Mitchell: Should there have been one?

Mr. Oughton: What we do, however, Mr. Mitchell, is that when we set up the framework arrangements that I have described and assess each of the companies before selecting them for this framework, which we do in competition, we look at the track record of that organisation—not just the track record of the company, but the skills and capability of the individuals within that company.

Q63 Mr. Mitchell: So, you will warn a Department if those people are not capable of delivery?

Mr. Oughton: Excuse me?

Mr. Mitchell: Will you warn a Department that these people are not capable of doing what they say they want to do?

Mr. Oughton: I would not select them and put them on the framework if I thought they were not capable of delivering value to their clients; they would not get through the door.

Q64 Mr. Mitchell: Just to conclude, the article yesterday argued that the private sector is much tougher with consultants. It does not accept the grandiose prospectuses, it cuts the crap and is pretty tough on price, and it does not let consultants go with not paying compensation if there is a cock-up. Would that be a reasonable impression?

Mr. Oughton: Yes. I have certainly seen that happen in private sector circumstances. One of the things we are trying to do in government is, first of all, to nail down far more clearly in the original contract what is deliverable, because you cannot decide whether someone has achieved the deliverable unless it is specified clearly enough. Sometimes, in the past, I think that we have been poor at specifying the deliverable. We are also trying to ensure that when

the potential supplier makes his pitch to the Government, in the follow-through, when the contract is placed, we acquire the same skilled people who were promised in the original documentation to do the job. We are buying people and intellectual skill, and it is important that the people in whom we have trust do the job.

Q65 Mr. Mitchell: You would want the public sector to be as tough-minded and as tough to deal with as the private sector?

Mr. Oughton: I think that the public sector should be as demanding a procurer as the private sector.

Q66 Mr. Mitchell: Is it?

Mr. Oughton: Not in every respect. I think that there is room for improvement.

Q67 Mr. Bacon: Mr. Watmore, you said in one of your answers that rotation of staff was a bit of a problem and that that needed to be addressed. Are you seeing staff who are halfway through projects move out at moments when, for the benefits of the project, it would be much better if they stayed put?

Mr. Watmore: I think that is true. Lots of people have asked me what has been surprising about the civil service, coming in from the outside. Much of it has not surprised me; it was as I was expecting it. However, one thing that has surprised me is the frequency with which people change roles rights across the civil service, not just in this area. I think it would benefit the civil service more generally to have people perform roles for longer periods and in particular to see a job through to the point where they have achieved an outcome—

Q68 Mr. Bacon: In other words, where the project is delivered before they move on.

Mr. Watmore: Or where a particular phase of the project is delivered. If we are to bring on a successor that should be done through a very carefully planned succession programme with a handover.

Q69 Mr. Bacon: Whereas what happens is that someone comes up and says, "Carruthers, your two years are up and it is time for you to move on to the Department for Transport."

Mr. Watmore: It is not quite like that. In fact, it is actually more a case of an individual applying for roles as they come up in the civil service.

Q70 Mr. Bacon: Is that partly to do with recruitment, retention, remuneration and such things?

Mr. Watmore: It is partly to do with the system that we operate within the civil service, which is that the movement of jobs is largely left to the individual and they move on when a suitable job comes up. I think there are issues—

Q71 Mr. Bacon: It is not allied to the projects sufficiently?

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Mr. Watmore: It is not allied to IT or projects in any one specific way. It is a generality. It is something that is emerging as we are looking at, with my other hat on, the capabilities of departments.

Q72 Mr. Bacon: Sorry, what I meant was that the progress of the civil servant is not sufficiently allied to the project and its success.

Mr. Watmore: Not in that regard. They would apply for a job—

Mr. Bacon: Whereas you think that it should be.

Mr. Watmore: I think that people should see something through—it may be a phase in a project—before they move on.

Q73 Mr. Bacon: Is it possible, Sir John, that the NAO could find and send to us the transcript of the evidence that Sir Peter Gershon gave to this Committee when he was Chief Executive of the Office of Government Commerce, quite some time ago—I think it was just after Andrew Turnbull became Cabinet Secretary—in which he said something pretty much identical to what Mr. Watmore has just said to us? I think that it would be interesting to put them in a table side by side and look at the verbatim comments side by side. Nothing has changed since he said that. Mr. Oughton, when did you become Chief Executive?

Mr. Oughton: I became Chief Executive in April 2004.

Q74 Mr. Bacon: And Mr. Gershon—now Sir Peter—was doing it for three years?

Mr. Oughton: Four years.

Q75 Mr. Bacon: I think the evidence was given fairly early on in his tenure, so it was probably four or five years ago, but it would be very interesting to see it.

Sir John Bourn: We will find it and bring it to the Committee.

Q76 Mr. Bacon: I would like to quote from another report. Mr. Watmore, would you tell me whether you agree with this: “To maximise ownership and accountability, the same individual, where possible, will often see the project through from inception to implementation”? Do you agree with that?

Mr. Watmore: It depends entirely on the length of the project.

Q77 Mr. Bacon: Yes. You mentioned that there might be milestones where something can change. This comes from a report that Mr. Oughton will be very familiar with, because he led the study in August 1994: the Cabinet Office scrutiny study on the Government’s use of external consultants. What I see in this Report from the NAO on the success of projects—it is good that there are some successful projects—is Government saying, “We are getting better at this.” However, there is not such a lot of evidence that the Government is getting better, is there? There is a lot of evidence that the advice has been out there by the shelf-load for not even 10, 12 but probably 20 years or more. The key question is

how the advice is implemented, is it not? Would you agree with that? Mr. Oughton, and then Mr. Watmore.

Mr. Oughton: You are right that the advice is there. Many of the projects that you see in the Report here are ones that have benefited from that advice, in the sense that they have learned the lessons at the beginning and implemented them straightaway. That is a step forward. Too often we have found in gateway reports that projects do not start with all the success factors in place, and they have to retrofit them later on in the process. That is always more costly and more time-consuming than doing it right the first time. As I say, these are more recent examples that show that it is possible to start a project in good shape and deliver them successfully.

Mr. Watmore: May I add a supplementary answer? The first thing that I did when I joined was re-read the 2000 document (I did not go back to 1994) which was, I think, published under Ian McCartney when he was a Cabinet Office Minister. I remember reading that and saying, “That is absolutely bang on right.”

Q78 Mr. Bacon: It does not really matter which one you pick up, does it? They all say the same thing. It is all pretty good stuff.

Mr. Oughton: What we are seeing here is some of the early evidence of that coming through, because these mostly started in 2002-03. What we are trying to do in the IT profession is to make sure that those principles of success are baked into people’s training and experience, right from the day they join us.

Q79 Mr. Bacon: You said something interesting earlier, Mr. Watmore: that you did not think that they were any IT projects, and that there were just business projects. Later on, you said something along the lines of, “If the project is not focused around the business deliverable, and what gets delivered, you are doomed to failure.”

Mr. Watmore: I agree with that.

Q80 Mr. Bacon: Could you just remind us what gateway 5 is all about?

Mr. Watmore: My understanding of gateway 5 is that it is the review at the end of a project or programme. It looks back to see whether the business benefits that were anticipated at the beginning were realised.

Q81 Mr. Bacon: I am reading from the RPA study that the National Audit Office did in appendix 6. It describes gateway 5’s benefits evaluation as “to assess whether expected benefits are being delivered”—not “were” delivered, but “are being delivered”, so it is an ongoing process—and what is being done to “pursue continued improvements”. That suggests that gateway 5 is something that happens before the end of the project, does it not?

Mr. Watmore: My view would be that, first, you need clear business objectives from the outset. What I said earlier was that if you did not have that, you were doomed to failure.

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Secondly, there is a period in the life of projects that involve a big change when it is necessary to secure the business benefits from the change but also to go on improving. If you stand still, you go backwards, so you continuously improve. Therefore, over a 10 year contract and a 10 year programme, it is quite likely that you may find several reasons to keep revisiting the business case, as the situation may change dramatically in that period.

Mr. Oughton: May I say a few words on this point as well? We have had some considerable encouragement from this Committee to ensure that gateway 5 reviews are undertaken speedily and no more than a year later than the gateway 4 reviews, and we have been trying to up our momentum around that. Of course, the consequence of that is that we are assessing benefits before the full completion and delivery of those benefits—the point that Mr. Watmore just made. Among the changes that I am contemplating introducing is a repeatable gateway 5, so that we can start looking at benefits very quickly after the implementation of new systems but then keep coming back and revisiting them over the length of the project.

Q82 Mr. Bacon: That makes perfect sense. In fact, I would almost say that it is explicit, as opposed to implicit, in the definition of gateway 5. Why is it, then, that according to the chart in figure 11 on page 46, only 5% of projects have had a gateway 5 so far? That means that 95% are not being looked at properly, or, in Mr. Watmore's words, are doomed to failure. I know that the situation is bad, but I cannot believe that it is quite that bad.

Mr. Oughton: What the chart tells you is that 5% of the totality of projects that were looked at between April 2004 and June 2006 were reviewed at gateway 5. It does not tell you that 5% of projects that get to the end of their life were subject to a gateway 5 review.

If you turn to the table in figure 12 on the next page, you will see that of the projects that have passed gateway 4—that are, therefore, towards the end of their implementation—an increasing proportion are now subjected to a gateway 5 within a year, or soon after gateway 4.

Q83 Mr. Bacon: Where in figure 14 is the information that you are referring to?

Mr. Oughton: It is in figure 12 on page 47.

Q84 Mr. Bacon: At the bottom?

Mr. Oughton: That is right. Indeed, at the start of the Report, under paragraph 9 on page 19, figures are set out that demonstrate that of the projects that have passed gateway 4, an increasing number are now subjected to a gateway 5.

Q85 Mr. Bacon: In two years' time, what percentage do you think will have gone through a gateway 5?

Mr. Oughton: I do not like to speculate about the numbers. The answer has to be more than now. The trend is increasing, and I want to keep the pressure up so that more projects go through a gateway 5

when they reach the end of their implementation, and then go through a gateway 5 again and again if that is appropriate to the delivery of the benefits.

Q86 Mr. Bacon: You mentioned the Information Commissioner and ID cards. Could you remind us what it was that the applicant was seeking that you did not want to give?

Mr. Oughton: The applicant's request was for the release of the gateway reports on the national ID card programme.

Q87 Mr. Bacon: In particular, did not the applicant want to know what traffic light status the OGC awarded to the ID scheme at gateway review stage 1?

Mr. Oughton: I think that the applicant was asking for all the information relating to the gateway reports.

Q88 Mr. Bacon: So you are not prepared to tell anybody, other than your little *coterie*, what traffic light status the ID card project received at gateway 1?

Mr. Oughton: That was the judgment that we made in response to the Freedom of Information Act request. We considered the public interest test for disclosure or withholding of that information. We identified exemptions under the Act that we believed were applicable, and we applied the public interest test to them as well. The conclusion that we reached was that we should not release the information. The Information Commissioner disagreed with that judgment and we are currently engaged in an appeal to the Information Tribunal.

Q89 Mr. Bacon: Is it right, Mr. Oughton, that civil servants should “always act in a way that is professional and that deserves and retains the confidence of all those with whom you have dealings”?

Mr. Oughton: I should hope so. Indeed, I recognise those words. I think that they are very appropriate.

Q90 Mr. Bacon: And do you think it is right that civil servants should “make sure that public money and other resources are used properly and efficiently”?

Mr. Oughton: I would hope so, yes.

Q91 Mr. Bacon: And is it right that they should “handle information as openly as possible within the legal framework”?

Mr. Oughton: Yes, I agree with that—as openly as possible.

Q92 Mr. Bacon: And is it right that they must be honest and “set out the facts and relevant issues truthfully, and correct any errors as soon as possible”?

Mr. Oughton: I can only agree with you again, Mr. Bacon.

Q93 Mr. Bacon: I am glad that you do, because that all comes from the *Civil Service Code*, as I suspect you know.

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Mr. Oughton: Indeed, it does. That is why I recognise the words.

Q94 Mr. Bacon: If civil servants have to do all those things and act professionally, it is hard to see how disclosing the traffic light status could discourage co-operation. The Commissioner has said that he “does not accept that the officials responsible for gathering and collating the requested information would cease to perform their duties on the grounds that the information may be disclosed.” He also said that Government Departments, such as the OGC, “are expected to provide accurate information when they are asked to do so” and that he “does not accept that the release of the requested information will result in government departments failing to provide information, or in their providing incomplete or inaccurate information to other government departments.”

The Commissioner went on to say that: “Civil servants would be in breach of their duty, and would damage their integrity as servants of the Crown, should they deliberately withhold relevant information or provide information other than the best they believe they can give.” There is a strong argument that the information in the gate zero reports relates to the implementation of the ID card policy and not to the development of Government policy. What is the great problem with sharing with people how things are going? I have never understood that. How do you have learning if you have no learning curve?

Mr. Oughton: Well, I fear that I might run out of time if I were to give you a long and considered answer to that question, Mr. Bacon. My difficulty is that we are—

Chairman: We will give you extra time; don’t worry. You can have as long as you like.

Mr. Oughton: That is very kind, Chairman. We are currently engaged in an appeal to the information tribunal. We are acting entirely in accordance with the Act, so at this point, the Civil Service Code is entirely pertinent. Under the Act, we are entitled to judge the public interest in relation to the disclosure or withholding of requested information. We have reached a judgment. The Information Commissioner has chosen to disagree with us, and we are entitled—again under the Act—to appeal that judgment to the Information Tribunal. That appeal is under way and we will set out our arguments at the tribunal. I am in some difficulty, Chairman, in answering this question further until we have allowed those proceedings to run their course.

Mr. Bacon: I am running out of time, so I shall quickly ask one or two more questions.

Chairman: Actually, you have run out of time.

Mr. Bacon: May I ask one more question?

Chairman: Of course you may.

Q95 Mr. Bacon: When a Minister has responsibility for an IT project, is it good for that Minister to meet with the IT supplier concerned?

Mr. Watmore: May I take that one?

Mr. Bacon: I would like to hear answers from both of you, if possible.

Mr. Watmore: At the risk of repeating myself, it needs to be a business project, and the Minister should meet with all of the partners in the successful business part of that project, including, in my experience, the IT suppliers when they have been selected. In the procurement phase, you have to be careful about who sees who in order to stay within—

Q96 Mr. Bacon: Yes, yes, but after the procurement phase, if an IT supplier is attempting to communicate with the ultimate management, and therefore with the Minister, and is phoned up within 10 minutes of attempting to do so by a Permanent Secretary who says, “You don’t talk to Ministers; that is something for civil servants,” would you consider that to be wrong?

Mr. Watmore: I would say that the climate for that had not been sorted out at the beginning. It should be possible for ministerial contact with all parties involved in a programme to occur, as long as it is organised in advance and in the right way, and it is not random after-hours phone calls. It should be in a formal governance structure.

Q97 Mr. Bacon: You mean with civil servants present taking notes.

Mr. Watmore: That is for the Minister concerned to decide.

Chairman: I think Dr. Pugh has a supplementary question.

Q98 Dr. Pugh: I want to clarify your response to Mr. Mitchell’s question about the Catalist—I think that that is what you called it—and the pre-listing of consultants. Assuming that consultants are pre-listed according to their qualifications, abilities, talents and so on, and a choice is made between them, is that choice in any sense contestable? If so, how would the choice be justified?

Mr. Oughton: Under the new EU Directives that came into force at the end of January, if a company is selected and listed in the Catalist framework under any of the headings, at the point when a Government Department wishes to acquire the services of a supplier in that category, it would go out to a competitive process and every company that is listed in that category would be entitled to tender for the work.

Q99 Dr. Pugh: So, even in the Catalist process, there is a tendering process?

Mr. Oughton: Absolutely right. The point about Catalist is that it clears out of the way some of the basic selection criteria before you get to the point where the competition is run. However, it is still a contested process.

Q100 Chairman: Sir John, you are very familiar with the Major Projects Report in defence. Referring back to Mr. Mitchell’s question, do you think that we should have an equivalent for IT projects, with all of them listed in a big NAO Report, so that we can

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compare what is going on and have a hearing here? After all, IT is arguably as important as or more important than major projects in the defence field.

Mr. Oughton: Were you directing that at me?

Chairman: I was directing it at Sir John.

Sir John Bourn: The difficulty would be that IT is a component of projects and programmes; nearly all programmes have an IT component. To pick out the ones that are especially worrying would be a difficult task.

Q101 Mr. Bacon: Because they are all worrying?

Sir John Bourn: Because then you would have several hundred. The thing about major defence projects is that they are all with one Department, one Secretary of State and one Accounting Officer, and that provides a focus. Mr. Watmore and Mr. Oughton might have views on that, and I shall be happy to discuss it with them further.

Q102 Chairman: You have the e-Government Unit's Annual Report. Could that not develop into a credible document?

Mr. Watmore: It might well develop in some way in that direction, but I have two or three comments. First, literally hundreds of projects across Government involve IT. If such a document were to be prepared, it would be massive and, at that level, completely meaningless to the public. We would have to be careful about what the selection criteria would be.

Chairman: That is why I said major projects.

Mr. Watmore: Secondly, as Sir John has said, pretty much every big mission-critical project has an IT component, so the focus should come from there rather than from an IT angle. Thirdly, according to our report, we intend to publish an annual report setting out the progress that we are making towards the strategy that we published a year ago. As that report develops over the years, you should be able to see the impact of the things that we announced a year ago. It will tend to start off with—I hesitate to use the word—enabling projects, and come on, over time, to delivered projects.

Q103 Chairman: Do you want to make a last remark on that or any other subject?

Mr. Oughton: No. I think that we should look, with Sir John, at the possibilities. Clearly, it will be trickier to handle something that is Government-wide rather than Department-specific.

Chairman: Mr. Bacon has a last question.

Q104 Mr. Bacon: Could you send us a list of the 91 mission-critical projects?

Mr. Oughton: I shall send you a note, if I may.²

Q105 Mr. Bacon: What I would like is an answer to the question. Will you send us a list of the 91 mission-critical projects?

Mr. Oughton: When you asked me that question in November 2004—

Q106 Mr. Bacon: Actually, I did not. I asked you about the 3%, which went up to 4%, that were in the red. That certainly was not all 91—at least I hope it was not—but a smaller subset. I am talking about the 91. Can we have a list of the 91?

Mr. Oughton: I should like to take that question away, and give you the most helpful response that I can.

Q107 Mr. Bacon: This is the problem, Mr. Oughton. As you know, because I was waving this document about the other day at the seminar at which you and our esteemed Chairman and the Chief Secretary spoke, we have here a kind of institutional reluctance to be candid and to explain. We are not talking about something minor or unimportant. We are talking about the 91 projects that are, in your judgment, most critical, yet you are not prepared to tell us what they are.

When I held this document up at the seminar the other day, I could see the Chief Secretary craning to see what it was. It is from the (USA's) Office of Management and Budget. All the details are public. At that hearing, the Chief Secretary, not you, asked how often it is updated. I checked afterwards and found that it is updated every quarter. The President of the United States sometimes raises these at cabinet meetings. Whether they concern the Environmental Protection Agency, the Department of Justice, the Department of Veterans Affairs, NASA or the Office of Management and Budget itself, one can see where their traffic lights are, and on what. As you know, because you were in Washington in April, just before we were there in May, the Department of Justice displays its traffic lights in its foyer for every employee to see.

Given the enormous record of failure across Governments of both persuasions and over decades, I do not understand why you do not try something new—why you do not believe that the power of transparency can bring to the party something that would be useful for you in delivering better results.

Mr. Oughton: Mr. Bacon, I have mentioned during this afternoon's session a number of new ideas that we are contemplating introducing in relation to gateways, reporting and involvement of Ministers, which I hope will start to move that forward.

Q108 Mr. Bacon: What about transparency?

Mr. Oughton: The point about the document that you have, which we both discussed with the Office of Management and Budget on our respective visits, is that it gives a measurable assessment against performance in delivery of Government programmes—

Mr. Bacon: Yes, but as Mr. Watmore said, if it is not about performance, it is doomed to failure.

Chairman: Mr. Bacon, let him answer.

Mr. Oughton: The advice that I provide in my quarterly reports to the Prime Minister is based on the evidence from Departments, but at the end of the day, it is judgment and advice that I provide to the Prime Minister. It is a different quality of information. However, I am trying to be helpful. Rather than give you an answer across the table,

² Ev 14–16

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which you may find unsatisfactory, I should like to take the question away, consider it and give you the most helpful answer that I can—both on the listing of the projects and on what we might say about them.

Mr. Bacon: Thank you.

Q109 Chairman: Because generally you support and believe in the power of transparency, Mr. Oughton?

Mr. Oughton: Yes, I do. I have seen how organisations and individuals react to peer pressure and to the competitive exposure of performance. I understand that point, but I cannot give you an answer to that question across the table and without consideration.

Q110 Chairman: Leaving aside the question of transparency for the public and for Parliament, Mr. Watmore, presumably when Mr. Oughton and other civil service colleagues see the Prime Minister on this and related issues, you brief him?

Mr. Watmore: Usually. It depends on the subject.

Q111 Chairman: So, just as the President has the Office of Management and Budget, which will hand a document to him so that he can give Departments a hard time, why do not you undertake a similar exercise with the Prime Minister?

Mr. Watmore: I think Mr. Oughton has given an answer to the general question. I went to see Karen Evans, my then counterpart in the United States, to talk about that. In my view we are doing all the things that they have done, with one exception, which is the publication of the equivalent of that amber, green, red list.

Q112 Chairman: It is not quite clear to me why there is that one exception. You are presumably not closing your minds to it.

Mr. Watmore: I do not think that any of us close our mind to anything on that front. We are building a CIO council, like they have done; we are joining up on our shared services programmes, like they have done; and we are rigorously inspecting our projects and programmes, like they have done. Indeed, they are looking to several things that we have done, which they regard as positive learning experiences. Communication is taking place throughout the world on that sort of stuff.

Q113 Chairman: Good. That concludes our hearing, Mr. Watmore and Mr. Oughton. I hope that you will tell the Cabinet Secretary that you had a useful session this afternoon, and that the PAC, on occasion, is prepared to be positive and to learn from projects that go well and not just to be critical all the time. Will you tell him that from us?

Mr. Oughton: Of course.

Mr. Watmore: I will certainly do that, and thank you for the opportunity to discuss successful projects.

Chairman: Thank you very much.

Supplementary memorandum submitted by the Office of Government Commerce

Question 104 (Mr Richard Bacon): *Could you send us a list of the 91 mission-critical projects*

MISSION CRITICAL PROJECTS—AS AGREED WITH DEPARTMENTS IN JUNE 2006

(ordered by department)

<i>Department</i>	<i>Programme/Project</i>
1. Cabinet Office	Admin Burdens Reduction Programme
2. Cabinet Office	Information Assurance Technical Programme (IATP)
3. Cabinet Office	SCOPE Programme
4. CPS	Charging Programme
5. CPS	COMPASS
6. CPS	No Witness, No Justice
7. DCA	Community Justice Centre
8. DCA	Development, Innovation and Support Contracts (DISC) Programme
9. DCA	Enforcement Programme
10. DCA	Legal and Constitutional Modernisation Programme
11. DCA	LIBRA
12. DCA	LINK
13. DCA	Supreme Court Implementation Programme
14. DCA	XHIBIT (eXchanging Hearing Information by Internet technology)
15. DCLG	Fire Resilience Programme
16. DCLG	Home Information packs
17. DCLG	Planning casework

<i>Department</i>	<i>Programme/Project</i>
18. DCLG	Thames Gateway Programme
19. DCMS	Olympic & Paralympic Games and Legacy Delivery Programme
20. DCMS	Wembley National Stadium
21. DCMS/DTI	Digital Switchover
22. Defra	England Rural Development Programme (erdpIT)
23. Defra	Livestock delivery programme
24. Defra	Natural England
25. Defra	Rural Payments Agency Change Programme
26. DfES	Academies
27. DfES	Bichard Vetting and Barring Scheme
28. DfES	Building Schools for the Future
29. DfES	Information Sharing Index
30. DfES	QCA Modernisation programme
31. DfES	Student Finance Modernisation Programme
32. DfT	Air Transport White Paper
33. DfT	Crossrail
34. DfT	European Commission Whole Vehicle Approval Recast Directive
35. DfT	Major Highways (TPI)
36. DfT	Rail Franchise Replacement Programme
37. DfT	Traffic Officer Service
38. DH	Ambulance Airwave
39. DH	Arms Length Bodies Change Programme
40. DH	European Health Insurance Card (EHIC)
41. DH	Independent Sector Treatment Centres (ISTCs)
42. DH	National Programme for NHS IT (CfH)
43. DH	Shipman Inquiry Response
44. DH	Towards Cleaner Hospitals (MRSA)
45. DWP	Benefits Processing Replacement Programme
46. DWP	Building on New Deal (BoND)
47. DWP	Central Payment System Project
48. DWP	Child Support Agency Redesign/ Operational Improvement Plan
49. DWP	Jobcentre Plus Implementation
50. DWP	Pension Transformation Programme
51. DWP	Resource Management Project
52. FCO	Future Firecrest
53. FCO	UKvisas Biometrics Programme
54. HM Land Registry	eConveyancing Programme
55. HMRC	MPPC Phase 1 (part of the Processing Programme)
56. HMRC	Pacesetter (part of the Processing Programme)
57. HMRC	Pensions Simplification
58. HMRC	Reform of the Construction Industry Scheme
59. HMRC	STRIDE (part of the IT programme)
60. HMRC	Tax Credits Programme
61. Home Office	Airwave (London Underground)
62. Home Office	Airwave (National Fallback System)
63. Home Office	Bichard Inquiry Implementation Programme
64. Home Office	CJIT Exchange
65. Home Office	Criminal Justice IT
66. Home Office	Cyclamen
67. Home Office	e-Borders
68. Home Office	Emergency Services Radiocommunications

	<i>Department</i>	<i>Programme/Project</i>
69.	Home Office	Identity Cards Programme
70.	Home Office	IMPACT
71.	Home Office	National Offender Management Service Change Programme
72.	Home Office	Offender Assessment System (OASys)
73.	Home Office	PITO: Custody and Case Preparation
74.	MOD	A400M
75.	MOD	Astute Class Nuclear Submarine
76.	MOD	Bowman
77.	MOD	Defence Change Programme
78.	MOD	Defence Information Infrastructure (DII)
79.	MOD	Defence Logistics Transformation Programme (DLTP)
80.	MOD	Defence Training Rationalisation Programme
81.	MOD	Future Aircraft Carrier (CVF)
82.	MOD	Future Rapid Effect System (FRES)
83.	MOD	Joint Combat Aircraft (JCA)
84.	MOD	Joint Personnel Administration (JPA)
85.	MOD	Nimrod Maritime Reconnaissance and Attack Aircraft MK4
86.	MOD	People Programme
87.	MOD	Type 45 Anti-Air Warfare Destroyer
88.	MOD	Typhoon
89.	MOD	Whole Fleet Management
90.	ONS	Civil registration reform
