



House of Commons

Committee of Public Accounts

The impact of the Office of Government Commerce's initiative on the delivery of major IT-enabled projects

**Twenty-seventh Report of
Session 2004–05**

*Report, together with formal minutes,
oral and written evidence*

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The Committee of Public Accounts

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Summary

IT-enabled programmes and projects have a direct impact on departments' ability to deliver improved public services and to secure greater efficiency. Central civil government spends annually some £2.3 billion on information technology, equivalent to 16% of total procurement expenditure, yet this Committee has reported on a succession of IT programmes and projects characterised by delay, overspends, poor performance and abandonment.

The Office of Government Commerce (OGC) was established in April 2000 to promote best value for money in procurement by working closely with departments including issuing guidance, providing advice and promulgating good practice, and developing the government's market place. In particular they have introduced a number of key initiatives:

- *Gateway Reviews*– independent review of IT-enabled programmes and projects at critical points in their lifecycle;
- *the Successful Delivery Toolkit* – an online guide to procurement policy, tools and good practice;
- *the Successful Delivery Skills Programme and the Programme and Project Management Specialism* – to develop and promote professional delivery and project management skills in departments, and;
- *the promotion of Centres of Excellence* – within departments to support specific programmes and projects by providing oversight and advice, and working to enhance skills and capacities.

Of all these initiatives, the Gateway Review process has shown the most promise, bringing more rigorous scrutiny and oversight to IT-enabled programmes and projects, and providing the means to highlight risks sufficiently early for senior management to take recovery action. There is evidence, however, that Gateway is still not taken seriously enough by departments, with the same issues and shortcomings repeatedly highlighted by reviews, projects still entering the process too late, and the need for intervention by the OGC to make sure that final gateway assessments of the overall success of a project are made by departments.

Currently the OGC's Supervisory Board receives, each quarter, an analysis of Gateway Review results broken down by their Red-Amber-Green status. Since December 2002 the OGC has also been required to produce a report on "mission-critical" programmes and projects for the Prime Minister three times a year, which has increased the visibility of government projects at the most senior level.

From April 2003, projects receiving a second consecutive red review have triggered a letter from the Chief Executive of the OGC to the Permanent Secretary of the department responsible, highlighting the importance of identifying and addressing risks to successful delivery at the earliest possible stage.

The OGC has experienced varying degrees of responsiveness from departments to its other initiatives. The OGC recognises that its Web-based best practice guidance—the *Successful Delivery Toolkit*—is difficult for inexperienced users to penetrate, and is, at times, confusing and contradictory. It is now in the process of implementing the results of a March 2004 review of how it could better embed its advice and guidance within departments.

The *Successful Delivery Skills Programme* and the *Programme and Project Management Specialism*, are a comprehensive set of tools, training and development actions to help improve the management of projects and programmes. There has, however, only been a limited take-up of either scheme and while some departments have put in place alternative means to secure and develop expertise, many others have not. There remains, therefore, a shortfall in appropriate programme and project management skills across departments generally.

While the OGC needs to take further steps to understand how it can best liaise with departments, they in turn need to become more intelligent customers of the OGC. *Centres of Excellence* should be able on the one hand to shape OGC's initiatives to local need while, on the other, acting as the hub within departments for the collation and dissemination of good practice and advice.

The OGC has worked closely with industry — particularly with Intellect, the IT industry's trade organisation — to develop a mutually beneficial relationship. This work has included drawing up frameworks and codes of practice with the aim of making their respective roles and responsibilities clearer, but these have yet to have an impact within departments or project teams.

On the basis of a Report from the Comptroller and Auditor General,¹ the Committee took evidence from the Office of Government Commerce, two other departments (the Department for Work and Pensions and the Home Office's Immigration and Nationality Directorate), and two agencies (the Prison Service and the Driver and Vehicle Licensing Agency) to examine the progress OGC has made in improving departments' capacity to deliver successful IT-enabled projects and programmes.

1 C&AG's Report, *Improving IT Procurement* (HC 877, Session 2003–04)

Conclusions and recommendations

- 1. Despite Gateway reviews being mandatory for high and medium risk projects and programmes, 30% currently by-pass Gates 0 and 1, crucially entering the process after the business case has been prepared.** Where departments consider that projects do not warrant such scrutiny, or decide to skip a review, they should obtain prior agreement from the OGC. The relevant Accounting Officer would need to give an assurance that the project in question was underpinned by a sound business rationale, and that proper arrangements had been put in place for management and oversight.
- 2. The Treasury should determine criteria for withholding funds from IT programmes and projects** where departments choose consistently to ignore stages of the Gateway process, and in doing so increase the risks of project failure.
- 3. Where a department's project receives consecutive red Gateway reviews, the Chief Executive of the Office of Government Commerce should henceforth copy to the Comptroller and Auditor General his letter alerting the particular Accounting Officer to the risks associated with the project in question.** Eight projects have so far received successive red-gated reviews, and departments should be ready to explain to the National Audit Office decisions to proceed with activities where substantial difficulties have been highlighted by 'double red' reviews. As potential early warning of such cases, the National Audit Office will monitor the periodic summary analyses of Gateway results prepared for the Office of Government Commerce's Supervisory Board, and receive regular briefing from the Office of Government Commerce on the status of Mission Critical Programmes and Projects.
- 4. Beyond these arrangements this Committee believes that, to further enhance external scrutiny, there is a strong case for the publication of Gateway review reports,** particularly given the repeated failures of public sector IT-enabled projects and programmes in recent years.
- 5. By March 2004 only 13% of projects had moved from Gate 4 (Readiness for service) to Gate 5 (Benefits Realisation), which assesses whether the benefits of a project have been fully realised, lessons learned and value for money secured.** As a discipline, departments should record in their business plans an estimate of when a final review should best occur – in the first instance perhaps 12 months after a Gate 4 review. OGC should make sure that this Gate 5 review has taken place, for example, highlighting overdue reviews to relevant Permanent Secretaries at Supervisory Board meetings.
- 6. Departments' Centres of Excellence should receive as a matter of routine all Gateway Review reports, and provide feedback to OGC on the quality and usefulness of individual reviews.** When polled individually, just 45% of Senior Responsible Officers in departments bothered to respond to requests for feedback on the effectiveness of Gateway Reviews, which OGC needs to develop its review process.

7. **Centres of Excellence have the potential to facilitate a step change in the management of IT-enabled projects, yet in March 2004 only a quarter had been assessed as making good progress.** Departmental Boards should receive monthly reports from their Centres of Excellence on the status and health of their IT-enabled projects and programmes, and have in place contingency plans where projects are not on track, or are not delivering as expected.
8. **OGC needs a means of assessing take up of its guidance and initiatives, and the usefulness of its work** through, for example, customer satisfaction surveys, compilation of utilisation statistics, and regular analyses of impact in improving IT project performance.
9. **In the spirit of partnership, Senior Responsible Owners of programmes and projects should, as a matter of routine, involve contractors in Gateway Reviews.** While the precise nature of engagement will vary, this involvement would usually extend to i) advising that a review was scheduled; ii) encouraging the Review Team Leader to talk to the supplier and iii) sharing relevant parts of the final report.
10. **In 2002–03 five companies accounted for 60% of the value of government IT contracts, while 11 suppliers now account for 80% of the market.** This limited field potentially restricts competition and may discourage innovative new entrants. Commercial Directors in departments should select procurement routes that do not present barriers to entry for a more suitable, flexible or innovative solution which could better meet the Department's requirements.

1 The impact of the Office of Government Commerce

1. The OGC has no authority to direct departments but encourages them to secure value for money in IT procurement through initiatives such as the Gateway Review process; providing guidance and advice; developing skills in procurement and project management; and working with departments and suppliers to develop the government IT marketplace.

2. Against a familiar background of repeated project failure in government agencies in the United States, the 1996 Information Technology Management Reform Act (the so-called “Clinger-Cohen” legislation²) was introduced, requiring ongoing ‘real time’ reporting of the status of projects to Congress. OGC has concluded that it is preferable to continue working closely with departments to support their IT programmes, rather than advocating a mandatory set of procedures.³ Further powers to mandate solutions in departments would result in too rigid an approach on individual programmes and projects,⁴ and would have considerable resource implications for OGC’s own activities.⁵

3. OGC has developed a set of initiatives to improve IT procurement, but its advice is not always followed by departments and other public bodies. In particular, OGC acknowledges that it needs to gather and present best practice from across government more effectively. Following an independent review of its tools and guidance in March 2004, it is now looking to tailor its engagement with departments to better meet individual requirements rather than continuing to formulate additional guidance.⁶

4. Departments reported that, of all the OGC’s initiatives, the most effective was the Gateway Review process and at 31 March 2004, 28 central government organisations had undergone a total of 254 Gateway Reviews.⁷ However, less than half of project teams had provided feedback to OGC on the quality of these reviews.⁸

5. Beyond the Gateway Review process the OGC has, since December 2002, been required to produce a report on “mission-critical” programmes and projects for the Prime Minister three times a year, which has increased the visibility of government projects at the most senior level.⁹

6. Although the National Health Service falls outside OGC’s formal remit, the National Programme for IT in the NHS is a high-risk and mission critical programme and is subject to the Gateway Review process. In addition the NHS operates its own parallel system of reviews and OGC has trained and accredited NHS staff to act as reviewers. The OGC has,

2 C&AG’s Report, para 1.5

3 Q 54

4 Q 45

5 Q 45

6 Q 4; C&AG’s Report, para 2.25

7 C&AG’s Report, paras 2.7–2.8

8 Q 53; C&AG’s Report, para 2.13

9 C&AG’s Report, para 1.12

in turn, drawn on NHS experience of the contracting process, which has fed into revised OGC guidance issued following the decision in July 2003 to move away from PFI as a contracting model for IT procurements.¹⁰

7. The E-Government Unit in the Cabinet Office has responsibility for Government-wide IT strategy, and the OGC works with them to support their engagement with suppliers and to develop commercial skills in government. OGC has recently undertaken trials and published guidance on open source software with a view to expanding the use of this potential source of improved competition and innovation, which is now to be taken forward by the E-Government Unit.¹¹ The OGC will, however, continue delivering commercial arrangements and deals that underpin the IT strategy.¹²

8. The OGC is charged with implementing the government's Efficiency Review with a savings target of £21.5 billion. OGC estimates that the bulk of these savings will be achieved through improving the effectiveness of front-line service delivery, but improved IT systems will make a contribution, for example through the streamlining of back office functions.¹³

10 Qq 63–64

11 Q 65

12 *Open Source Software Trials in Government, Final Report*, Office of Government Commerce, 29 October 2004

13 Qq 89–90

2 Application of the Gateway Review Process

9. Of all the OGC's initiatives the introduction of mandatory Gateway Reviews in February 2001, for projects classified as high or medium risk, has shown the most promise. The review process provides external scrutiny and oversight of major central civil government programmes and projects.¹⁴ By 31 March 2004 a total of 440 reviews had been conducted on 254 IT-enabled programmes and projects.¹⁵ The process was tightened in June 2002 with the introduction of colour-coding — Red, Amber, Green (**Figure 1**) — to denote the overall status of projects, and at 31 March 2004 50% of these have been Amber, 28% Red, and 22% Green (**Figure 2**).

Figure 1: RAG assessment criteria for overall status of Gateway projects

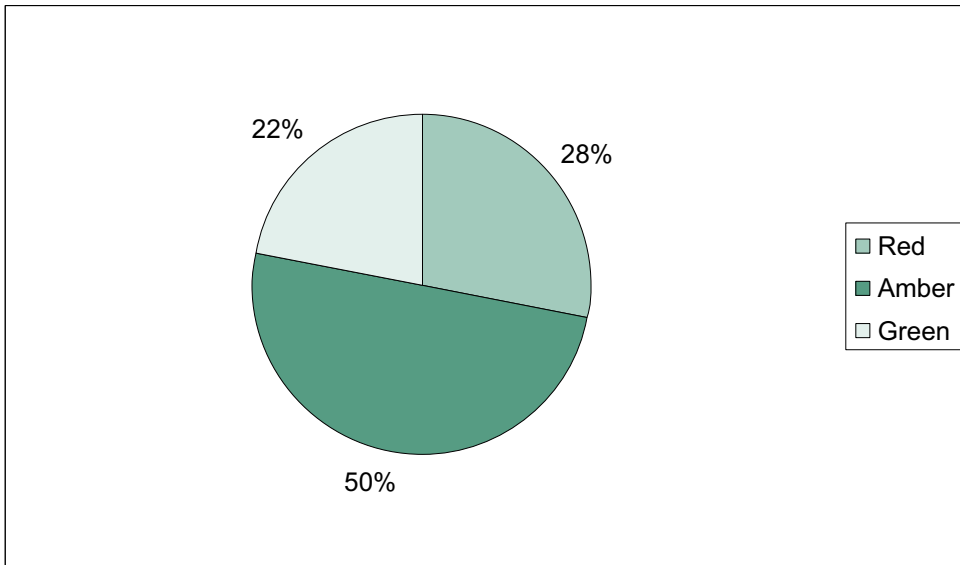
R	Red – To achieve success the project team should take action immediately.
A	Amber – The project should go forward with actions on recommendations to be carried out before the next OGC Gateway Review of the project.
G	Green – The project is on target to succeed but may benefit from the uptake of recommendations.

Source: Office of Government Commerce

14 Q 42; C&AG's Report, para 1.10

15 C&AG's Report, para 2.5

Figure 2: Gateway Reviews of IT enabled projects by Red-Amber-Green status June 2002–March 2004



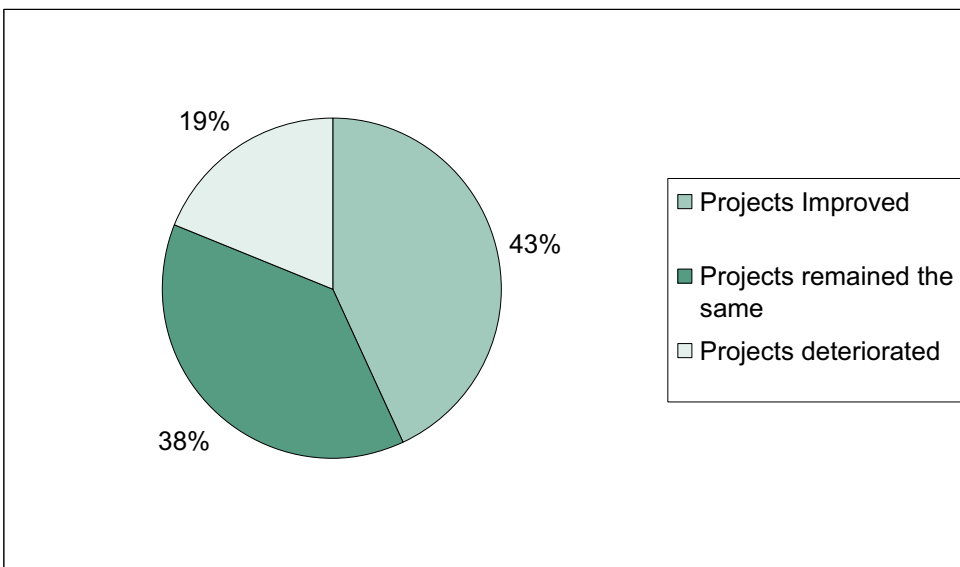
Between June 2002 and March 2004 50% of projects were designated as Amber, 28% as Red, and 22% as Green.

Source: Office of Government Commerce

The impact of Gateway in departments

10. The issues raised by Gateway Review teams have remained consistent since their introduction in 2001,¹⁶ suggesting that despite a clear body of evidence, departments are failing to foresee obstacles to successful delivery. Moreover, one-fifth of all projects that have undertaken more than one review have got worse as they progressed through the process, and over 40% have not improved their status (**Figure 3**).

Figure 3: Performance of the 67 projects which had undertaken two or more colour-coded Gateway Reviews to end of March 2004



Source: National Audit Office/Office of Government Commerce

11. The OGC's Supervisory Board is chaired by the Chief Secretary to the Treasury and made up of Permanent Secretaries, including the OGC's Chief Executive, and senior external representatives. It currently receives, each quarter, an analysis of Gateway Review results broken down by their Red-Amber-Green status.¹⁷

12. A red review at an early stage of a project's lifecycle shows that the review process has been successful in identifying risks to successful delivery at an early stage, and as such should be positively interpreted.¹⁸ Successive red reviews, on the other hand, are not acceptable and from April 2003 projects receiving a second consecutive red review have triggered a letter from the Chief Executive of the OGC to the Permanent Secretary of the department responsible. This letter highlights the importance of identifying and addressing risks to successful delivery at the earliest possible stage. Eight IT-enabled projects have since received red gates in consecutive Gateway Reviews. Of these:

- One has had a subsequent green review, and one an amber
- One is currently undergoing a further review, and another has requested one; and,
- The remaining four have not yet requested subsequent reviews.¹⁹

Late engagement with the Gateway Review process

13. The Gateway Review process examines a project at five critical stages of its lifecycle. In addition there is a Gate 0 to assess the feasibility of programmes at their outset (**Figure 4**). Half of all Gateway Reviews of IT-enabled programmes and projects across government have been at Gates 2 (Procurement Strategy) and 3 (Investment Decision), and a high proportion of these (63% and 41% respectively) have been first-time reviews.²⁰ More projects are now coming forward for review earlier and the OGC has made clear to departments that projects can no longer enter the process after Gate 3.²¹ Nevertheless 30% of all programmes and projects are still by-passing Gates 0 and 1, and therefore entering the process after the business case has been prepared.²²

17 C&AG's Report, *Improving Procurement* (HC 361–1, Session 2003–04), para 1.6

18 C&AG's Report, para 2.8

19 Ev 14

20 C&AG's Report, para 2.10

21 Qq 20–21

22 Q 20

Figure 4: The stages of the Gateway Review process

Gateway Stage	Purpose	Description
Gateway Review 0 Strategic assessment	Establish business need for programme	Asks how the proposed programme meets the business need that lies behind it. Assesses the capability of those who are responsible for the programme and the support of users and stakeholders.
Gateway Review 1 Business justification	Develop business case	Asks whether the end project is feasible, affordable, and likely to achieve value for money. Also whether the high-level plans for establishing it are clear and realistic.
Gateway Review 2 Procurement strategy	Develop procurement strategy	Asks whether the tendering strategy sufficiently reflects business requirements, awareness of the market, good practice in procurement, and changes to business need. Asks whether funding is available for the whole project, and with adequate financial controls in place.
Gateway Review 3 Investment decision	Competitive procurement	Asks whether the tendering process has met its objectives and followed good practice, and whether the prospective contractor is likely to deliver on time, within budget and achieve value for money. Assesses readiness of the business to implement the contract.
Gateway Review 4 Readiness for service	Award and implement contract	Assesses whether project plans are up to date, and adapted to working successfully with the contractor. Asks whether implementation of the project is going to plan, with any lessons for the future being recorded.
Gateway Review 5 Benefits evaluation (repeated as required)	Closure	Assesses whether expected benefits are being delivered, and what is being done to pursue continued improvements. Asks what contingency plans there are for future changes.

Source: National Audit Office/Office of Government Commerce

Final Reviews

14. Gate 5 Reviews are designed to make an assessment of the overall success of the project or programme, including whether value for money and desired service improvements have been achieved. Sixty-two Reviews have been completed at Gate 4 to date and yet only eight, (13%) have proceeded to Gate 5.²³ From March 2004, departmental Centres of Excellence have been required to investigate those projects which have not requested a Gate 5 review within 12 months of completing Gate 4; seven more projects have subsequently completed a Gate 5 review.²⁴

23 C&AG's Report, para 2.11

24 Qq 21, 56

Wider dissemination of Gateway reports

15. As key stakeholders in IT projects, suppliers are keen to be involved in the Gateway Review process, yet review teams do not necessarily canvass the views of suppliers, or indeed tell them when Gateway Reviews are taking place, losing the chance to hear their views.²⁵ While Gateway reports are increasingly scrutinised at the highest levels within departments there is currently no requirement for findings to be shared with suppliers.²⁶ There is no evidence that suppliers would object to Gateway Reviews being published,²⁷ and there is a view among senior stakeholders that at least key parts of Gateway Reviews should be shared with them.²⁸

Gateway reports and Freedom of Information

16. At the time of our hearing, the OGC was assessing the implications of the Freedom of Information Act, which came into effect on 1 January 2005, for their policy on the general disclosure of Gateway Review information, including looking closely at exemptions 35 and 36. OGC will assess any requests for sight of Gateway reports on a case by case basis, taking into account all public interest arguments.²⁹ Ultimately, however, it will be the responsibility of the Information Commissioner to pronounce on their disclosure.

25 Q 37

26 C&AG's Report, para 2.18

27 Q 69

28 C&AG's Report, para 2.17

29 Q 71

3 Use of OGC Initiatives by Departments

17. The Gateway process assesses the progress of projects at specific points in its lifecycle, but does not substitute for the effective management of the project on a day to day basis.³⁰ Since 2001 therefore OGC has introduced several initiatives designed to help departments develop the skills and capability to undertake this management role effectively.³¹

Promoting Capacity and Capability

18. In April 2002 the OGC introduced its Successful Delivery Toolkit which brings together best practice for procurement and programme, project and risk management in a single point of reference for departments, through the OGC's website. Only 45% of departments, agencies and non departmental bodies make use of the Toolkit,³² which can be difficult for new and inexperienced users to access. For this reason both the Home Office and the Department for Work and Pensions discourage their staff from accessing OGC guidance directly.³³

19. In response to a general shortfall of appropriate programme and project management skills in departments the OGC established in September 2002, the Successful Delivery Skills Programme to recognise and promote such skills. None of the case study bodies, however, had participated in the programme, and the Driver and Vehicle Licensing Agency found that while it provided a useful framework for developing staff capability, it needed to be adapted before it could be implemented by the Agency.³⁴

20. The Successful Delivery Skills Programme was complemented in October 2003 by the Programme and Project Management Specialism. This Specialism is a skills development scheme designed to provide a career route into senior management for civil servants looking to specialise in project delivery, and fits with the Professional Skills in Government Programme launched by the Government in October 2004. The Specialism has experienced better levels of take-up than the Successful Delivery Skills Programme, amounting to some 1,300 civil servants by November 2004.³⁵ The OGC believes that this training will play a role in supporting better IT delivery skills across both the public and private sectors.³⁶

Adapting Tools and Guidance to departmental needs

21. OGC has not yet provided departments with a single clear point of engagement for accessing its expertise, and has not yet realised its aim of getting good practice embedded in departments.³⁷ Departments themselves are not always aware of the relevant guidance

30 Q 41; C&AG's Report, para 2.4

31 Q 41

32 C&AG's Report, para 17

33 Q 51; C&AG's Report, paras 3.37–3.39

34 Qq 7–11

35 Qq 60, 88; C&AG's Report, para 3.48

36 Q 61

37 Q5; C&AG's Report, Executive Summary para 26, and para 3.43

and advice available to them, and products offered by OGC in some cases duplicate actions already being taken.³⁸ OGC recognises the need to work with departments on a case-by-case basis, rather than providing blanket advice, and has therefore reinforced its team of in-house consultants, and refreshed the pool of external specialists available to departments. It is also creating customer engagement teams to understand better departments' needs.³⁹

Centres of Excellence

22. Centres of Excellence provide strategic oversight, scrutiny and challenge across the range of a department's projects and programmes. They were established in response to concerns that increased investment in the public sector was not being matched by improvements in the capacity of civil servants to deliver programmes and projects.⁴⁰ By March 2004 Centres of Excellence had been established in 35 Departments⁴¹ and OGC has set down a timetable for departments to extend the scope of their responsibility to all mission-critical and high risk procurements by March 2006 (**Figure 5**). Only 25% of Centres of Excellence, however, are as yet making good progress in improving departmental capabilities.⁴² To address this OGC has invested in a team of 14 liaison managers to forge closer links with individual Centres, to help them develop their capability as part of a wider effort to promote the greater use of their services within departments.⁴³

Figure 5: Centres of Excellence increasing responsibilities

<p>By –</p> <ul style="list-style-type: none"> • March 2004 to cover all Acquisition-based: Mission Critical and/or High Risk projects • March 2005 to cover Acquisition-based: Mission Critical, Highly Desirable and/or High Risk projects • March 2006 to cover Acquisition-based: All and Other (e.g. Policy Based): Mission Critical Highly Desirable and/or High Risk projects and programmes
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Source: Office of Government Commerce

23. Centres of Excellence act as the means by which senior management can secure regular oversight of programmes and projects and many Centres of Excellence now receive Gateway reports. The Home Office's Centre of Excellence, for example, compiles a quarterly report on the status of high risk and mission-critical projects for the Accounting Officer and Home Office Board.⁴⁴

38 C&AG's Report, para 26

39 Q 51

40 C&AG's Report, para 2.19

41 *ibid*, para 2.21

42 Q 79

43 Q 87

44 C&AG's Report, para 3.23

24. Centres of Excellence also serve as a point of best practice, which project teams can access and contribute to, and act as an expert link to the OGC for advice for example about when to request a Gateway Review. The project team for the Case Information Database Enhancement Programme in the Home Office's Immigration and Nationality Directorate has for example used the Department's Centre of Excellence to decide whether the project was ready to undergo an OGC Gateway Review.⁴⁵

25. Centres of Excellence also act as a focal point for the development of wider capabilities and professional skills within departments, and can help to ensure that resources invested in developing individual areas of expertise are not lost to the organisation when projects are completed or contracts with external consultants expire.⁴⁶ The project team on the Department for Work and Pension's Payment Modernisation Programme was keen to ensure that its collective skills were re-deployed effectively at the conclusion of the project.⁴⁷

45 Q 85

46 C&AG's Report, para 2.20

47 *ibid*, para 3.49

4 Engagement with suppliers

OGC engagement with the IT industry

26. The benefits of OGC's engagement with the IT industry, particularly with the trade body Intellect, have yet to filter down to individual project teams within departments.⁴⁸ OGC advises that Senior Responsible Owners, as project leaders, should form a close relationship with the Senior Responsible Industry Executive, their designated counterpart on the supplier side. Yet recognition of this initiative is low, and none of the case study project teams were aware of the Senior Responsible Industry Executive concept.⁴⁹

Government is still too dependent on too few suppliers

27. The public sector accounts for 55% of UK spending in the IT sector,⁵⁰ affording the opportunity for departments to exert demand-side influence on suppliers to drive down costs. In 2002–03 just five companies accounted for 60% of government IT contracts,⁵¹ although this market share has since widened and 11 companies now provide 80% of government business in the IT sector.⁵² The most recent information suggests that more suppliers are securing a share of government business as a result of departments' individual procurement decisions. The OGC is running two pilot projects in the West Midlands and in Haringey to examine barriers to entry to the government marketplace for Small and Medium-sized Enterprises and voluntary sector providers. Early evidence from the West Midlands pilot suggests Small and Medium-sized Enterprises have secured a greater share of government business as a result of this initiative.⁵³

Barriers to entry to the Government marketplace

28. The OGC operates the 'S-Cat' online catalogue for IT services through its executive agency, OGCBuying.solutions, providing framework agreements through which departments can access suppliers without an open marketplace competition. This can result in the exclusion of new or smaller suppliers or those offering innovative products, since they have to wait for the next framework round to be considered.⁵⁴ As an immediate solution, the OGC encourages such suppliers to enter into partnership with companies already on the framework.⁵⁵ New entrants may however be put off by the concern that established catalogue suppliers will wish to take a percentage of their profits as the price for getting the business.⁵⁶

48 Q 17; C&AG's Report, para 3.80

49 Q 17; C&AG's Report, paras 3.64–3.65

50 C&AG's Report, para 3.71

51 Q 57; C&AG's Report, para 3.71

52 Q 57

53 *ibid*

54 Q 58

55 *ibid*

56 Q 59

Innovation

29. OGC looks to promote early market engagement with suppliers and in particular has worked with IT suppliers, through Intellect, to look at the ‘concept viability’ of projects.⁵⁷ This engagement typically takes place before the project enters the earliest stages of the Gateway Review process and aims to identify innovative approaches to achieving project success, before any commitment has been made to a specific procurement route.⁵⁸ Some organisations have developed new tendering and procurement processes to solicit innovation, for example the Driver and Vehicle Licensing Agency used a future programme of electronic vehicle licensing as a ‘test problem’ as part of the selection arrangements for their current IT supplier.⁵⁹

Customer-Supplier relationships

30. The successful delivery of IT-enabled programmes and projects requires the establishment of a clear understanding of the respective risks, responsibilities and benefits between departments and suppliers.⁶⁰ To this end, departments need a sound knowledge of the industry and the wider marketplace. One means to secure this knowledge and expertise is through the appointment of a Commercial Director, as recommended by the 1999 Review of Civil Procurement in Central Government.⁶¹ By April 2004, however, only five departments had appointed such a Director.⁶²

57 C&AG’s Report, para 3.74

58 Q 59

59 C&AG’s Report, para 3.75

60 *ibid*, para 3.66

61 *ibid*, para 3.72

62 41st Report from the Committee of Public Accounts, *Improving departments’ capability to procure cost-effectively* (HC 541, Session 2003–04), para 19

Formal minutes

Wednesday 6 April 2005

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Allan

Mr Ian Davidson

Mrs Angela Browning

Mr Alan Williams

The Committee deliberated.

Draft Report (The impact of the Office of Government Commerce's initiatives on the delivery of major IT-enabled projects), 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, amended 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 do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (Reports)) be applied to the Report.

[Adjourned.]

Witnesses

Wednesday 17 November 2004

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Mr John Oughton, Office of Government Commerce, **Mr Kevin Bone**, Department for Work and Pensions, **Mr Stephen Calvard**, Home Office, **Mr Michael Spurr**, HM Prison Service, and **Ms Sharon Baker**, Driver and Vehicle Licensing Agency

Ev 1

List of written evidence

Office of Government Commerce

Ev 14

List of Reports from the Committee of Public Accounts Session 2004–05

First Report	The management of sickness absence in the Prison Service	HC 146 (<i>Cm 6496</i>)
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Oral evidence

Taken before the Committee of Public Accounts

on Wednesday 17 November 2004

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Allan
Mr Richard Bacon
Mr Brian Jenkins

Mr Stephen Timms
Mr Alan Williams

Sir John Bourn KCB, Comptroller and Auditor General, and **Mr Mark Davies**, National Audit Office, further examined.

Mr Brian Glicksman, Treasury Officer of Accounts, HM Treasury, further examined.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL:

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 (HC 877)

Witnesses: **Mr John Oughton**, Chief Executive, Office of Government Commerce, **Mr Kevin Bone**, Information Systems Director, Jobcentre Plus, Department for Work and Pensions, **Mr Stephen Calvard**, Director of Business Information Systems and Technology, Immigration and Nationality Directorate, Home Office, **Mr Michael Spurr**, Director of Operations, HM Prison Service, and **Ms Sharon Baker**, Partners Achieving Change Together (PACT), Services Director, Driver and Vehicle Licensing Agency, examined.

Q1 Chairman: Good afternoon and welcome to the Committee of Public Accounts where today we are looking at the Comptroller and Auditor General's Report on 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. We welcome back to our Committee John Oughton, who is Chief Executive of the OGC, Kevin Bone from the Department for Work and Pensions, Michael Spurr from the Prison Service, Stephen Calvard from the Home Office's Immigration and Nationality Directorate, and Sharon Baker from the Driver and Vehicle Licensing Agency. You are all very welcome, and we also welcome the Financial Secretary to the Treasury, who is sitting on my left, who is of course a member of this Committee, but under recent convention he has only turned up occasionally. We are also very honoured to be joined by the Honourable William Alexander Scott. You are all very welcome and thank you for coming to our Committee. Mr Oughton, could I please address one or two questions to you. Could you please turn to paragraph 2.15 in the Report which you can find on page 28 and you will see there that, "Analysis of the common issues raised in Gateway Reviews has remained the same since their introduction." In other words, not a lot apparently has changed. What major difference have Gateway Reviews made in the delivery of IT projects?

Mr Oughton: Well, Chairman, I am not surprised that the main issues have not changed because the delivery of major IT projects, whether in the public

or private sector, is a very challenging thing to do, so the major issues are likely to stay the same. What I think the Gateway Reviews have done is, first of all, allowed us to identify the major issues earlier than we would have done in the past, and I think the Gateway Reviews have allowed both the project teams and the senior responsible owners to be more frank about the difficulties because of course the Gateway Review process is conducted in what I would call "safe space", so a conversation can take place and it identifies the problems, and I think it also allows us to identify some of the generic issues that run across all of the IT projects and allows us then to tackle those for government as a whole rather than having to find solutions bespoke, project by project.

Q2 Chairman: All right, you say that, but let's look at what has happened to these projects once they go through the Reviews. If you look at paragraph 2.12, which is on page 26, you will see there that one-fifth of all projects which have undertaken more than one Gateway Review have actually got worse as they moved through the process. How is this possible?

Mr Oughton: I think it is possible because challenges change over time and the rigour of the process has developed over time. By contrast of course, for those projects that have got worse, very many have stayed the same and very many have improved, 43% of projects have improved, many of them red to amber, and 11 in fact, many from amber to green.

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Q3 Chairman: And one-fifth have actually got worse. Was not the whole point of this that with good project management you should foresee some of these problems, should you not?

Mr Oughton: Yes, and my contention is that we see those issues sooner than we would otherwise have done.

Q4 Chairman: All right. So let's now take a look at how departments use your services. Would you please look at page 42 and paragraph 3.39. You will see there extraordinarily, and this did receive some publicity at the time of the Comptroller and Auditor General's Report when some newspaper journalists picked up on this, that both the Home Office and DWP discourage their staff, they actually discourage their staff, from accessing OGC guidance directly. What does this say about the usability of your guidance?

Mr Oughton: I think that the usability of the guidance needs to be improved, and I acknowledge that, and that is why at the beginning of this year I asked Jonathan Tamblyn to conduct a review on the effectiveness with which our guidance was being used in departments. Jonathan Tamblyn is the representative of Intellect, the trade body, and there is a reference to his work in paragraph 2.25 of the Report. What he found was that we did need to improve our ability to switch from just generating pieces of guidance into helping departments embed the improvements that are implied in that guidance, so what you will see happening in the Office of Government Commerce is a shift of activity and emphasis on our part towards getting more closely alongside departments to help them interpret the guidance and then effectively to use it.

Q5 Chairman: But would this not suggest that perhaps there is some confusion on behalf of the OGC of how to target your initiatives at departments?

Mr Oughton: No, I do not think so. When the Office of Government Commerce was first created, Sir Peter Gershon identified two major areas where help was required and development was required. One was around the whole issue of better procurement and negotiating better deals on behalf of government as a whole, and we have, I think, a very strong track record of achievement in that area. The other was around the development of better skills in departments in programme and project management techniques, and there is a collection of initiatives which are described in the Report which we have been pushing forward.

Q6 Chairman: Okay, well let's look at one of these programmes, shall we, just to take us to an example. If you look at page 43, paragraph 3.48, that deals with the Successful Delivery Skills Programme. It says that it experienced low levels of take-up and that none of the five case study projects represented here have participated in it. What is wrong with it? What does this say about your programme generally?

Mr Oughton: Well, I will let the projects answer for themselves as they may have their own ways in which they can improve skills. I think the issue around the Successful Delivery Skills Programme is that we attempted to develop a number of different products. Some of those products, I think, were duplicating activity that was already under way in departments, some of those products have been used successfully and registration on the project and programme management specialism is very high, and the use of the skills audit and the skills passport is very strong, so people do use some of these techniques. What I have done since my arrival in April is to institute a single programme approach to the delivery of products and services so that we can tailor those much more to the needs of departments. Trying to push the same products and services at every department when the circumstances may differ from department to department does not, in my view, seem to be an effective way of achieving it.

Q7 Chairman: Do any of our other witnesses want to comment or are they happy with the take-up of the programme?

Ms Baker: I am quite happy to comment. Within the DVLA we found that the initial Delivery Skills Programme was a useful framework, but it was not actually implementable as it was, so what we did was we worked with the actual Department for Transport with an OGC representative as well and created a project there to create a whole programme and project management network, and all DfT agencies must launch that network by the end of this year. We launched ours at the beginning of this week and are looking to roll that out right across the Agency. We have already signed up to the PPMS, which is the Programme and Project Management Specialism, within the OGC, but we are already taking it up through our own network within the Department for Transport.

Q8 Chairman: That is a bit worrying, Mr Oughton, that this programme was not capable of being implemented.

Mr Oughton: I do not agree with that. If I look at the comments—

Q9 Chairman: Well, the other witness has just told you she did not think it was. She knows exactly what is going on.

Mr Oughton: No, I do not think that is what the other witness did say.

Q10 Chairman: She said that it was not implementable.

Mr Oughton: The other witness regarded this as a useful framework from which to develop solutions—

Q11 Chairman: She said it was not implementable.

Ms Baker: As it was.

Mr Oughton: In its original form, and, as I tried to explain, Mr Chairman, at the outset, the whole point about our initiatives is that we need to tailor them to

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the circumstances of the departments and that is why we are moving now, again as the Report acknowledges, to a position where we have a different sort of engagement with our customers in departments. We are creating customer engagement teams that will get closer to departments, will understand their needs, and we will offer our products and services and allow the departments to choose what is most useful and valuable to them so that they can pull the solutions they need rather than us pushing particular solutions on everybody.

Q12 Chairman: Okay, thank you very much, Mr Oughton. Mr Bone, could you please look at Figure 23 which you will find on page 30. It talks there of your nine centres of excellence. You lost your CSA Chief Executive this morning, did you not?

Mr Bone: So I understand, yes.

Q13 Chairman: Why did you lose him?

Mr Bone: I have no idea.

Q14 Chairman: You lost him because of the chaotic way in which the computer system had been put in place, which has put some of the most vulnerable members of society in severe difficulties. What were your nine centres of excellence doing?

Mr Bone: Well, as I understand it, when that project commenced, those centres of excellence were not in place. They have only been in place for a limited time.

Q15 Chairman: So if they had been in place, this disaster, the resignation this morning, would not have happened, would it?

Mr Bone: I think they could have gone a long way to helping the project.

Q16 Chairman: In what way?

Mr Bone: I cannot comment specifically on that project because it is outwith my remit, but just in promoting the best practice of project management, which is what they doing across the other agencies in the Department.

Mr Oughton: Perhaps I could help you, Chairman, because the timing is quite important here. The Child Support Agency Modernisation Programme undertook two Gateway Reviews very early in the life of the Gateway process, in April of 2001 and in January of 2002, both before we introduced the red-amber-green status. The Centres of Excellence Initiative was established as a result of a Cabinet IT Action Plan which was agreed in December 2002 and centres of excellence were created by June 2003, so Mr Bone is absolutely right in saying that the centres of excellence were not available to assist with the Child Support Agency programme during its formative phase.

Q17 Chairman: Now, if we look at paragraph 3.80 on page 51, we can see it actually tells us there in that paragraph that the benefits of OGC's engagement with the IT industry and particularly with Intellect have not yet filtered down to project teams. This

specifically is relevant to my last question and I find it extraordinary. Then we see, if we look again at page 46, paragraph 3.65, that none of the case study project teams was aware of the creation of the senior responsible industry executive, which is your equivalent to the private sector's senior responsible owner. Now, this seems to point to me, Mr Oughton, to a state of affairs where whatever good advice you are responsible for, it is clearly not being implemented by the project teams on the ground. Now, the Government say that they are in favour of joined-up government, so would one way to cut through all of this, this disaster we have had in the CSA, be not just you being in a position where you issue guidance which is clearly being ignored, but where you are responsible yourself and your department for bringing in these IT projects?

Mr Oughton: Well, I am afraid I am going to have to disagree with you again, Mr Chairman, because in every case in every project, I think if you ask the witnesses, you will find it is absolutely clear that on the industry side of the relationship, there is a clear nominated individual who plays the role of the senior responsible industry executive. They may not carry that label, but they fulfil that task and the whole point about the relationship we have developed with Intellect, the code of conduct that Intellect published in December of 2003, is that it is about establishing a closer relationship with government departments and with individual projects, and I think if you were to ask the projects, you would find that is what has been happening.

Q18 Chairman: Thank you. I can only repeat what is in the Report, that they were not aware of the creation of senior responsible industry executives.

Mr Oughton: Expressed in those terms, but, as I say, if you were—

Q19 Chairman: Well, in this Report, which you agreed to, Mr Oughton—

Mr Oughton: I have absolutely agreed to the Report and my point is a very simple one, that if you ask the witnesses whether there was an individual, a clearly responsible official in the industry, in the project team with whom they related, fulfilling the role that is described as the senior responsible industry executive, I think you will find the answer is yes. They may not have been labelled in that way and that is why I agreed to the statement in the Report.

Q20 Mr Williams: Having observed that, it seems very appropriate that our Treasury colleague has joined us today because IT along with the Ministry of Defence represent the two biggest bottomless pits in public expenditure, and in a way the area you are trying to address is more important because of the number of social programmes that its failures have disrupted as well as wasting money. I recognise you have got a difficult task, and I am glad you are trying to address it, but, like the Chairman, it seems to me that you are not getting the co-operation you should because looking at page 7, paragraph 15, at the foot of the page, the point is made there that the first

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Gateway Review that a project undergoes may not in fact be the first Gateway in the cycle, although this is what you recommend. Is that being addressed? I do not need a long answer, but are you taking steps to address it?

Mr Oughton: You are absolutely right, that the ideal position is for every project right from day one to go through every stage of the Gateway process. That has not been happening. The most recent evidence from the last quarter, from June through to the end of August, shows that our strike rate of projects entering the Gateway process, at either Gate 0 or Gate 1, a programme at Gate 0, a project at Gate 1, is now higher than it was—it is over 70%, so I think the trend is in the right direction. More projects are coming forward earlier in the process than was previously the case.

Q21 Mr Williams: That is at least encouraging news. In the final sentence in that paragraph, it says, “A major risk, however, is that projects are entering the process too late—that is at Gates 2 and 3 (crucially, after the business case has been prepared), and exiting the process too early—that is before Gate 5”, without their value-for-money assessments and management arrangements, so that really is a double-whammy in the process, is it not?

Mr Oughton: Well, you are absolutely right, that it has been the case, as the Gateway Review process has developed, that the projects that were already in existence were finding that the way of entering the Gateway process was not at Gate 0, because they had already started before the Gateway process was invented, but they had to enter at a later stage. Now, we have done two things. We, first of all, made absolutely clear that no project may enter the Gateway process after Gate 3, so that puts an immediate signal to a department that they must enter this process earlier. The second thing we have done in March of this year was to agree that all centres of excellence in departments will now chase projects so that if 12 months have passed since Gate 4 has taken place, then they will challenge the projects to come forward to Gate 5, so in a sense we are saying there is no hiding place now and projects have to come forward and have a Gate 5. Since March of this year seven projects have conducted a Gate 5 and I can see the momentum building there as well.

*The Committee was suspended from 4.00 pm to
4.08 pm for a division in the House*

Q22 Mr Williams: Mr Oughton, it seems to me that, as the Chairman previously said, you are not getting the co-operation you should receive, nor the priority that your programme should receive and I am wondering if there might not be some way in which this Committee could actually help you in the process of focusing the minds of your colleagues. For this, I would like to switch for a moment to Sir John, so excuse us for ignoring you for a second. Sir John, after the Pergau Dam débâcle, we introduced a system where you would be notified of all

Permanent Secretaries’ letters, where the Permanent Secretaries said they needed an instruction to carry out a letter from a Minister before they carry out expenditure, and it has been very useful for monitoring departments. Is there anything analogous to that which we might be able to use which could bring you in at an appropriate stage and, if necessary, bring us in at an appropriate stage to hope to make recalcitrant departments face their responsibilities?

Sir John Bourn: Well, of course, Mr Williams, we do have access to all the papers relating to the projects, so it is available to us to report on their progress, but I suppose more focus could be given to that if it became part of the procedure that specific reference was made to me in relation to a project which got the starkest red light, if I put it that way, and that would then give me a particular opportunity of considering whether there was further work that I could usefully do. It would of course also mean for the OGC and for departments that there was a straightforward piece of procedure that people saw, that if you reached the position of greatest worry and danger, specific reference would be made to the C&AG.

Q23 Mr Williams: It is good that you are getting there, but obviously this Committee also wants to keep an eye on it because we are absolutely fed up, absolutely fed up, with issuing warning after warning after warning for the same errors time and again. Obviously we do not expect you, since there are so many cases, to report to us on every one, but would it be a practicable or effective possibility, do you think, if, first of all, you set up, ensuring you had the appropriate notification and structure in relation to a department, the OGC and if quarterly you produced a report for us on any major failures to conform to the Gateway procedure? Would that be (a) practicable for you and (b) do you think it might be effective? Then I will ask the same question of Mr Oughton.

Sir John Bourn: I think it certainly would be practicable because there would not be an enormous number of projects which had that degree of danger attached to them, and if it was agreed among all parties that it would be useful to do this, it is something that the National Audit Office could do, I think, effectively in a simple and straightforward way.

Q24 Mr Williams: Mr Oughton, how would this be perceived from your end? I can imagine there would be shudders of horror throughout some of the departments, which may not be a bad thing, but how would you perceive it? Would you see it as trying to help you or would you see it as a hindrance?

Mr Oughton: I am certainly in the business, Mr Williams, of anything that can help improve performance. That is why we are in business and that is why we want to deliver better value for the taxpayer. I would like to reflect obviously on what the Comptroller and Auditor General has said, but there might be two ways of looking at this perhaps. As you know and as the Report makes clear, there is

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a number of projects which score double reds and they will, I think, qualify, as Sir John Bourn has said, those that are flashing deepest red in the system. There is quite a good story to tell on what has happened to those double reds subsequently, but I am sure that we could look at that as the first category of the most difficult cases which have emerged from the Gateway Review process and it might be that we could find a mechanism there.

Q25 Mr Williams: Well, Chairman, I am happy with the answer I have received which has seemed positive, so would the two of you, therefore, undertake to get heads together fairly quickly and could you give an idea of what timescale you might feel would be appropriate for you to come and tell us what formula you have decided upon?

Sir John Bourn: I would think we could certainly do that.

Mr Oughton: We can certainly get together very quickly. Of course I would want to reserve our right to comment on whatever report you produced following this decision in the normal formal way, Mr Williams. Might I make one other point about how we get into this process? You talked about identifying failure of procedure and I think that is an issue that I would want to discuss in some depth with Sir John. The Gateway Review process has a structure to it, but it also has a degree of flexibility because not every project would expect to go through every Gate. For example, at Gate 2, the procurement Gate, if a procurement strategy is being undertaken on a framework contract where essentially the procurement decision has already been taken, you will not go through a Gate 2. Now, I would not regard that as a failure of process even though on the face of the page it would look as if a Gate had been missed out, so I think there is a bit of discussion which we would need to have to narrow down precisely what constituted failure of procedure and what did not, but we could certainly do that.

Mr Williams: That is helpful and I suspect Mr Bacon might well be tempted down the same route, thinking along parallel lines.

Chairman: Well, speak of the devil, let's now hear from Mr Bacon.

Q26 Mr Bacon: Mr Oughton, 2.9 is the paragraph where it talks about double reds and I am right, am I not, that if there is a double red, then you have to send a letter to the Permanent Secretary?¹

Mr Oughton: That is correct. The procedure is that the Chief Executive of OGC will send a letter to the Permanent Secretary, copied to the Cabinet Secretary.

Q27 Mr Bacon: Well, would it not be the simplest way to extend what Mr Williams has been talking about, that as you copy it to the Cabinet Secretary, you also copy it to the C&AG?

Mr Oughton: Well, I think that is the discussion I must have with the C&AG and we will find the simplest procedure that we can.

Q28 Mr Bacon: It refers to eight projects which had double reds. Which are they?

Mr Oughton: Well, I am very happy to indicate one of those because I own it, but I should just make clear that—

Q29 Mr Bacon: You said there was a good story to tell on them. If there is a good story to tell on them, you are surely not reluctant to tell a good story?

Mr Oughton: No, I am not reluctant to tell a good story, but I know you will appreciate that the ownership of a Gateway report resides with the department that has commissioned the Gateway Review, so the senior responsible owner in each of the departments has ownership of that document. I could not possibly answer for each of those individuals. I am very happy to answer in the case of the project for which I am responsible and I am also extremely happy to give you an indication of how the projects which have received a double red have proceeded beyond that point.

Q30 Mr Bacon: Could you send us a note on that for us?

Mr Oughton: I could send you a note, but, as I say, the ownership of those reviews rests with the departments in the end.

Q31 Mr Bacon: And with the senior responsible owner?

Mr Oughton: And with the senior responsible owner.

Q32 Mr Bacon: Send us a note with as much information as you feel like giving us and we will see whether we like it or not.

Mr Oughton: Yes, of course.²

Q33 Mr Bacon: Of course you are referring to those projects where there is a senior responsible owner.

Mr Oughton: Yes.

Q34 Mr Bacon: And I am looking at the PAC Report we did on Customs & Excise where it appears Customs just sort of sailed through or by or round the side of the Gateway process and we ended up commenting that Customs has not always followed good practice as recommended by the Treasury. There was a recommendation which we included that there should be proper management of consultants. Do you not find it extraordinary ten years after you did the scrutiny study where we had, I think it was, critical success factor 7 which said, "We need to manage the consultants effectively". That was in 1994 and you were deeply familiar with that study because you did it.

¹ Ev 14

² Ev 14

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Mr Oughton: Indeed.

Q35 Mr Bacon: And also critical success factor 9, reviewing the assignment, which sounds like “to assess the value for money and to ensure that lessons are being learnt”. It sounds remarkably like Gate 5 and yet here we are, this was published in June 2004, ten years later almost to the “t”, and we are having to say that there should be proper management of consultants. It is enough to make you want to turn to drink, is it not, and the question really I have for you is: what makes you think that the process is working sufficiently well and is getting better at a sufficiently rapid rate that you do not need rather more than incremental change? You say that you like the idea of this, what you call, “safe space” for conducting Gateway Reviews. Let me ask a very specific question: what do you think is the defining characteristic of a successful IT project?

Mr Oughton: The defining characteristic, I think it is about being absolutely clear at the outset what the objectives of the change are and absolutely clear at the outset whether you are engaged in a business change, a process change which is IT-enabled or whether you are procuring a piece of IT for operational use and delivery, so it is extremely important to be clear at the outset what you are trying to achieve. I think it is fair to say that not every project has been clear about that at the outset and that is the whole point of introducing the Gateway process, which we did. It is about getting into the process earlier and being absolutely clear what the strategic intent is before starting on the process of procurement.

Q36 Mr Bacon: I found an article in *Computer Weekly*, in fact I wrote it.

Mr Oughton: I thought I recognised the style!

Q37 Mr Bacon: So I obviously think it is a very good article and it says, “The defining characteristic of a successful IT project is the close link between customer and supplier”. I did not make that up, I got it from an award citation, an IT industry project award, where they were citing very, very good practice. If it is true that a very, very close link between customer and supplier is the defining characteristic, which I think you would agree with, how can the Gateway process be delivering that to the extent that it could when suppliers do not even know the Gateway Reviews are taking place? This safe space that you talked about does not actually give the supplier a chance to voice their concerns, yet in your report from ten years ago, the Cabinet Office made it very clear that one of the problems is insufficient engagement at the top of the office, the constant complaint from consultants that they could not get heard, things were palmed off to the G7 or somebody lower down the chain, they could not get engagement with the top of the tree and, therefore, problems were not recognised.

Mr Oughton: Well, as I said right at the outset, Mr Bacon, one of the strengths of the Gateway Review process is that it allows us to identify problems

earlier and it allows us to identify the problems more frankly than perhaps would be the case otherwise. As you will have heard some of the witnesses say already, and this is clear in the Report, once a Gateway Review report is produced, responsibility is then with the senior responsible owner and the project to take action on the recommendations. I think you will find that in many cases those actions are undertaken in partnership with, and in co-operation with, the supplier and will involve the supplier in working out what the solution should be.

Q38 Mr Bacon: It is true, is it not, that the Criminal Records Bureau project went through the Gateways and came out with green lights?

Mr Oughton: Yes, and that does not surprise me in the least—

Q39 Mr Bacon: It is true, is it not, that a tax credits project went through the Gateway process and came out with green lights?

Mr Oughton: Well, if you would like me to answer—

Q40 Mr Bacon: Well, I am just asking you two questions. Did the tax credits project go through the Gateway process and come out with green lights?

Mr Oughton: Yes, and—

Q41 Mr Bacon: I was simply making the point that those two projects, which were fiascos, went through the Gateway process and got green lights and, therefore, it seems to me that the fundamental question you needed to ask is not only where they get double reds, which of course is a very interesting one in a strong sense and the reddest kind of red, but how are you going to stop fundamentally flawed projects getting through green lights because that is what has happened?

Mr Oughton: You misunderstand the nature of the Gateway process. The Gateway process assesses what the Gateway process covers. No one is saying that the Gateway process is a substitute for proper, sound management for the totality of a programme or a project. The Gateway Review process assesses certain features. It helps the senior responsible owner and it helps the programme or project manager. What it does not do is act as a substitute for proper, day-to-day management of that project or programme. That means that the issue here is about ensuring that in departments the skill and capability exists to undertake that management task properly. The Gateway process is not a substitute for that. If that were the case, then the only service or product that the OGC would be offering would be the Gateway Review process; it is not.

Q42 Mr Bacon: The Gateway Review process is by far the most successful.

Mr Oughton: It is the most successful and people use it, but also it is the case that in the skills area it is extremely important that we push forward with the skills agenda to reinforce the work that departments are doing. That is the whole point of having a range of products and services available to a department.

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Q43 Mr Bacon: But if it is an early warning mechanism, which is one of the things you said right at the beginning that helps you identify things earlier, then surely the clearer the early warning, the better. The National IT Programme of the Health Service is going through green lights, yet we know that there is a huge problem with management engagement. The clinicians are not engaged in that process, sometimes they feel ignored, they feel unconsulted and the same criticism is being levelled with the Criminal Records Bureau and we are now facing the possibility of GPs boycotting the book system because they do not think it is going to work.

Mr Oughton: Well, of course the evidence of the GP "Choose and Book" system is that in the pilots the technology is working and the reviews that the Gateway process have undertaken of the NHS National IT programme have been extremely complimentary about the procurement process. Now, if you wish to pursue this project, which of course is not covered in this Report, then I suggest we ask Mr Granger to join us at the table and we will have a discussion on it.

Q44 Mr Bacon: Well, I think we are going to have a Report from the National Audit Office next year on it, which again highlights the fact that the programme has been going for two and a half years already and it will be three and a half years before we in this Committee look at it for the first time and it suggests that the method of departmental accountability ultimately through this Committee to Parliament is not necessarily as strong as it should be.

Mr Oughton: That is obviously a matter for the Committee.

Q45 Mr Bacon: What interests me fundamentally about this is that it seems to me, and I agree with Mr Williams, that whilst obviously you act through the power of persuasion, I think you could do with more power. You have already got this method now where obviously you report to the Prime Minister, but you would not be doing that, would you, unless you thought that flagging it up in that way at the Prime Ministerial level helped the process in rather making them consider and focus, and the fear of universal scorn is perhaps a stronger incentive than sitting around a table holding hands. Is it not the case that you should be seeking more power than you currently appear to be willing to do?

Mr Oughton: I do not seek the power to mandate solutions in departments for a very simple reason. The approach that we take with departments is to identify the issues that need to be addressed and help them pose the right questions and find the solutions that are right for their programmes or their projects. If we tried blindly to issue a set of instructions or to mandate a particular solution, then we would often get it wrong because programmes and projects have features that are specific to those programmes and projects, as I am sure you will recognise, Mr Bacon. Also it is extremely important that the responsibility remains with the department for taking that action.

If we were in a position where the accountability rests with us, then frankly I would have to triple or quadruple the size of the OGC to give myself the skills to create tailor-made solutions for every programme and project across Whitehall. I do not think that is a very efficient or effective way of running the business.

Q46 Mr Jenkins: When you read this Report, were you quite pleased with it?

Mr Oughton: I was pretty pleased, yes, because I think it is a fair assessment of the progress that the OGC has made in working with departments to deal with the issues, and I also recognise that it raises some challenges that we and departments together have to face. I think it is a very fair and balanced Report which is why I agreed to it.

Q47 Mr Jenkins: Because I thought it was quite a reasonable Report actually. I thought it was a very good overview and it cut away from the undergrowth of what had gone wrong and the detail of what had gone wrong with different projects and started to put them right as a direction to go forward. As I was looking at this and reading it, I jotted down one or two little notes and I thought that at the centre it is about centres of excellence within departments as one of the key elements and to develop the centres of excellence, and one thing which we recognise is the lack of skills in existence and the lack of real training to develop those centres of excellence. So if I were to suggest that the centres of excellence is one of the key elements, as you rightly point out, and you have done all this work and the procedure departments should follow, not prescriptive for each project, but as a general guideline, the project team should go to the centre of excellence and ask whether they can submit this to the Gateway Review. Where they are suppliers, the suppliers should be totally informed that now they are going to a Gateway Review and they should submit themselves to the Gateway Review. The Gateway Review should be done by the senior members, the senior management, and I am surprised in the Report that so few senior management were involved in that process and I would have thought there would be more work on that aspect in the departments to ensure that the senior management are taking part. It then goes back to the project teams and it goes back to the centres of excellence so the centres of excellence can log up all good practice, yes?

Mr Oughton: Yes.

Q48 Mr Jenkins: Okay, fine so far. If, however, the good practice then is sent back to your good practice board, so you would keep this and others can tap into it, if it has got an amber or a red light, it should be reported from the centre of excellence to the board or the Permanent Secretary. They should then flag it up with you, saying, "There's a problem here", and we have already agreed that they flag it up to the Minister and now we have agreed they would flag it up to Sir John.

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Mr Oughton: Indeed.

Q49 Mr Jenkins: That sounds excellent to me, so why is there such a reticence on the part of departments to sign up and say, "Thank you very much. This is what we are looking for"?

Mr Oughton: Well, I think the scene is moving on. As I said earlier, Mr Jenkins, centres of excellence were created following the Cabinet's action plan decision in December 2002. They were set up in June of 2003. As you will see from Figure 25 of the Report on page 31, we have been extending the scale of coverage for the centres of excellence since they were first created, so we are taking this step by step. The centres are set up, they have been developing their capability and we have been helping them by working with the permanent secretaries and the main boards of departments to establish the presence and reputation of the centres of excellence, to help them to become connected to the very top of the office in fact in the way that you described so that they can now start influencing the process by drawing on the evidence from individual projects and putting that in front of main boards of organisations. It is bound to be a developing process. When I reported to the Prime Minister on the development of the centres of excellence at the end of September, I was able to say that in the six months since I previously reported there have been very significant forward movements, and some of that will not be reflected in the data-gathering that was done by the NAO in this Report. So we are on a journey and I think we are making progress on that journey.

Q50 Mr Jenkins: On page 42, paragraph 3.43, it refers to the best practice board which you run and it says, "OGC is currently seeking feedback from departments as part of a customer survey on how best it might do this", so just how far developed is this best practice system at the present time?

Mr Oughton: The best practice system is based on something which again is referred to in the Report, the Office of Government Commerce Successful Delivery Toolkit.

Q51 Mr Jenkins: The Toolkit has not got a good reputation, has it?

Mr Oughton: No, and I acknowledge that and that is why I asked Mr Tamblin to come and look at the effectiveness of our embedding process. It is not good enough for my own purpose and I freely acknowledge that and indeed, in advance of the NAO's Report, we had already started work on how we could shift away from the generation of nil best practice because in many respects I think the best practice now is well understood and the lessons are the same, as this Report makes absolutely clear. The trick is turning focus and helping departments, project by project, to improve performance. That is why I have done two things. Firstly, I have reinforced the team of internal consultants. We try very hard not to find external management consultants if we can help it following the precepts of the 1994 Report, so I am very keen that we should

have internal, full-time employees in the OGC available to offer departments help with problem-solving on individual projects and that works very well. I am also going through the process of refreshing the group of external consultants we can draw on, our strategic assignment consultants—

Q52 Mr Jenkins: So we are supposed to get this best practice board in place and easily accessible for all the members who require it?

Mr Oughton: Yes, that is absolutely what we want to do.

Q53 Mr Jenkins: Excellent! One of the other things which has caused me a little bit of concern was on page 26 where you collect feedback from project teams, detailing satisfaction ratings for Gateways, and then we hear there is a tremendous improvement and we are leaping ahead and now we find a 45% response. Do you not think that is a disgraceful figure?

Mr Oughton: It is not very good. The statistics for the most recent quarter again show an improvement over 50%. The work we are doing with centres of excellence now, and the centres of excellence route is really a very important part of this jigsaw, it is central to it, is again about encouraging individual projects to respond and to give us the evidence, and again this is a progressive process where we need to build the momentum and I think we are doing that. I would like to see much more than 45%, and we are now over 50% and we are moving forward.

Q54 Mr Jenkins: So you are getting this system in place and I think you are concentrating the minds of certain departments. Would you not rather support us if we pushed for the Clinger-Cohen-style of legislation in this country which would mean departments would report back to Parliament or at least the Minister would report back to Parliament when the system is not progressing in real time?

Mr Oughton: I have thought very seriously about this and we have talked to those in the United States Administration who were responsible for pushing through and influencing Clinger-Cohen once the Administration implemented the legislation. I do not think that is the right route for us. I do think the route for us should be based on working with departments in partnership, in collaboration. I do not think mandate helps. The process that was part of Clinger-Cohen of requiring more government agencies to appoint a chief information officer is effectively what we are doing in this country already. If you were to talk to Mr Watmore, the new head of the E-Government Unit, he would explain to you, as he and I have discussed extremely recently, the arrangements he is setting up to gather chief information officers from all government departments in a group so that they can work together across these issues as a whole in government, so we are adopting the same approach, but we are just not doing it through legislation.

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Q55 Mr Jenkins: Well, I am glad you are adopting the same approach, but one of the things that always concerns me is we take money off people out there, money they can ill afford to pay in some cases, in taxes, so I want to make sure we are getting value for money.

Mr Oughton: Sure.

Q56 Mr Jenkins: A good example is the reviews you have done with regard to Gateway 5, which actually comes back to value for money, and it is very few. I know when we have asked about them in the past, about how many members of staff have been sacked or replaced for what has amounted to total incompetence and mismanagement of schemes, the answer has been once again, "None". I want to know whether you are putting any incentive in place to ensure that they are not squandering or wasting taxpayers' money on projects which have gone wrong and which maybe would not have gone wrong if they were paying more attention to it and they had recognised the lack of skill which they had themselves and the department. How can I do that?

Mr Oughton: Well, two points might be helpful here, Mr Jenkins. The first is that, again as I have explained earlier in the evidence, we are putting a big push behind ensuring that Gate 5 Reviews are now done. It is very important to me that we complete this process and that is why again, working through the centres of excellence, key to this process once again, we are challenging individual projects to say, "Twelve months after you have been through Gate 4, you must come forward and do a Gate 5". It is absolutely essential because we need to learn those lessons and in some cases projects are recognising that Gate 5 should be repeatable because it is very important that we keep on picking up the benefits captured as it goes along. It is not just a one-off, but they come back and do it again and then again progressively at intervals, so we are making some progress on that, but we only put that mandate in place in March of this year and again that has got to work through the system so that projects come forward in that way. The second point very briefly, although it is not for discussion on this Report this afternoon, but of course for the Office of Government Commerce and for me personally, is we have now the responsibility for pushing forward the Government's implementation of the Efficiency Programme and one of the issues that I will be looking at extremely closely in any of these major investments is we look at transactions, changes, corporate service changes, all of the IT-enabled investments that are being made to implement efficiency and I need to be absolutely certain, and departments need to be certain, that the benefits case holds up.

Q57 Mr Allan: There are just a few points I want to pick up from the Report, starting with the issue of smaller suppliers, which is referred to here, and we hear that in 2002–03 over 60% of the IT provision essential to civil government was accounted for by five companies. Could you explain what steps you

are taking or do you agree that we need to broaden the market in the first place and what steps are you taking in order to make that happen?

Mr Oughton: The scene changes of course, Mr Allan, and if you were to look at the most recent evidence, you would find that 80% of our business from the major IT sector is covered by 11 companies rather than the five, as set out in the Report, so the marketplace changes and the marketplace changes as a result of the individual procurement decisions that departments take. However, to tackle your point directly, what are we doing to ensure that the smaller and medium-sized enterprises have a role to play? It is very important for us in terms of securing good value for money and securing innovative solutions, as part of implementing the Better Regulation Task Force proposals on giving access to the government marketplace for small and medium-sized enterprises, we have been running two pilot projects, one in the west Midlands and one in Haringey, looking at how we can remove the barriers to entry for small and medium-sized enterprises, and incidentally for the voluntary sector where I think again it is an extremely important challenge for the delivery of government service that we need to exploit this third channel, looking at how we can make government opportunities more widely accessible through web access, streamlining and shortening the pre-qualification process and streamlining and simplifying the procurement process, the tendering process. The pilot project in the west Midlands closed in the summer and we will be coming forward with the results of that very shortly, and I can tell you that as a result of that pilot, many more small and medium-sized enterprises have been winning business directly from government and from wider public sector bodies on pure, straightforward, value-for-money grounds. Frankly, I did not expect that, but I am delighted that it is the case.

Q58 Mr Allan: It is something I am very interested in and if you meet people out there in the market and talk to them, they say, "My business has been going a couple of years. We're really good, but we can't get into government business because we can't get onto S-Cat and if we approach government departments, we are told to go off, sign up with an S-Cat-registered supplier, pay them 20% of the cost of the project", add 20% on, in other words, and charge the public purse more, "in order to get in and get the business". What are you doing there? I think when I asked this question before, I was told, "People just need to get on to S-Cat in the next round", but that does not work for a small business.

Mr Oughton: That of course is part of the answer. Another part of the answer, which we would certainly give to a company that had not been successful in registering or had not been in existence maybe even at the time when the S-Cat round was being done, is to go and partner or team with a company that is already registered. That would be one quick route in rather than waiting for the next round.

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Q59 Mr Allan: That is going to cost more because the company they partner is going to take a slice out of the contract.

Mr Oughton: It might do, but it also gives them other solutions which are not available to some in the first place. The second thing of course is that if you go through the commitments that the Government has set out in the DTI's Five-Year Strategy which was published yesterday, I think, there is a very, very strong concentration on innovation there, a strong concentration on what we can do in helping the DTI and departments to use both the Gateway process to identify innovative solutions and also to draw on advice from the private sector through the Advisers Panel which has been created to identify innovative solutions. The last thing I should mention we have been doing with the IT suppliers through Intellect is to look at concept viability one step back from the procurement process, giving the opportunity to identify clever, different solutions to problems before we get anywhere near the formality of the EU Directive's procurement phase where of course everybody is tied down to particular approaches. I think all of those offer opportunities to us.

Q60 Mr Allan: The second area is the issue of skills and it talks here about developing a cadre, a group of skilled managers, and in one of our recommendations it is clearly there. Are you happy that we are developing the right skill-sets across government departments and do you have any recommendations to make in that area, particularly over the issue of comparisons with the private sector and the attraction of the public sector in the IT field?

Mr Oughton: Well, I think it is an issue. I am pretty clear that the work we have done so far around the programme and project management specialism is a very important part of this because there are many IT-enabled, mission-critical projects on which I report to the Prime Minister every four months. We have now got over 1,300 members of that specialism. It is providing a career path through the system which people did not have before and I could quote from individuals who have joined that specialism who say, "This has given me something I didn't have before which makes the career opportunities better for me".

Q61 Mr Allan: What I used to come across in the Health Service was, "We don't want to train people up because then they'll leave to get more money in the private sector". Is that culture dead and you are happy to train people up?

Mr Oughton: Yes, of course I am happy to train people up because, frankly, across the economy as a whole both on the supplier side and on the client side, there is not sufficient skill to manage all of these major projects unless we invest in developing it, so, for me, that is a very important thing to do.

Q62 Mr Allan: And now they are under departments, it is up to them?

Mr Oughton: Yes. I might make one other point, if I may. Three or four weeks ago the Government launched the Professional Skills in Government Programme which is a serious attempt to move away from the conventional divide which has operated in government since Fulton, of specialists and generalists with specialists as the second class sort of group of people. We have now identified three cadres, if you like, the policy and analyst specialists, the operational delivery specialists and corporate service specialists who are enabling the business to operate effectively. Each of those is to be equally valued and each of those provides a career route through the system for individuals to reach the various highest levels so we can make more of them in the department. I think that opens opportunities for some of those who work in these skilled areas, the delivery areas, that have not been available to them before. You could progress through projects to the very largest project in the department and there is your glass ceiling, so where do you go next? I think this route allows us the opportunity then to exploit those skills, those delivery skills, and move them into a mainstream management posting at a very senior level.

Q63 Mr Allan: Let's move on to the other area I want to look at, which is relations with the other bits of this sector. The National Programme for IT is outwith your framework, is it not? It is not part of the Gateway Review process?

Mr Oughton: It is in fact because although the NHS as a whole is outwith the formal Gateway process, two things are done. For the mission-critical and high-risk programmes and projects, they are 'Gatewayed' as part of the formal Gateway process, so the National IT Programme will be Gatewayed and in fact it has been going through a refreshed Gate 0 more or less even as we speak. Also within the NHS we have trained and accredited Gateway reviewers to run a parallel system, if you like, which they run internally in their own organisation and they are self-sustainable for doing this.

Q64 Mr Allan: Are you taking learning back from them in terms of the innovative contracting they have done?

Mr Oughton: Absolutely. Indeed many of the features of the contracting process that the NHS IT Programme adopted has been mainstreamed into the Decision Map and the Contract Innovation Guidance that we issued following the decision in July 2003 to move away from a PFI model for IT contracting to a more broadly based, conventional model of contracting, so in December of 2003 and then again for some of this year we have produced guidance and that draws very heavily on the best parts of that procurement process.

Q65 Mr Allan: And then finally in relation to e-government, which is the other bit of the triangle, the trinity, looking at some specific examples, like the open source guidance, guidance on the open source across government, EM lawyers have had a fairly

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flabby and open source policy operating for a while and you have just issued, as OGC, a much more robust, positively encouraging analysis of that, but who is doing the policy? I thought that the E-Government Unit now does the policy and you do the implementation, but on something like that one, I am not clear.

Mr Oughton: Well, we started running with this, so we completed the pilot work and brought forward the reports and it did get some very good coverage and did provide some opportunities to move forward into the open source area. Ian Watmore and I have discussed how we take this forward and we are both agreed that the key issues that need to be addressed are ones which the E-Government Unit, with its newly scoped role, will be responsible for, so I happily pass the baton to him for taking that implementation forward.

Chairman: There are one or two supplementaries now.

Q66 Mr Bacon: The E-Government Unit sits inside the Cabinet Office?

Mr Oughton: Yes, it does.

Q67 Mr Bacon: And you sit separately from that.

Mr Oughton: We are an independent office of the Treasury.

Q68 Mr Bacon: I would have thought there was a lot of sense in Mr Watmore and you almost sharing the same office as your objectives are so similar.

Mr Oughton: We see one another so frequently, you cannot really spot when we are apart actually, Mr Bacon. We are extremely close and we both recognise, we absolutely both recognise that we are a partnership here. We bring different skills. Mr Watmore clearly has to be responsible for the major strategic issues around developing the Government's IT strategy, working with this new network of chief information officers that he is setting up. I would expect to support him, underpinning that relationship with the major suppliers, with the commercial skills that we can bring to the table. We work very closely together.

Q69 Mr Bacon: May I ask Mr Davies from the National Audit Office a question. During your study of this area, have you found any evidence from the suppliers that they object to the Gateway Reviews being published?

Mr Davies: We have found no evidence.

Q70 Mr Bacon: You have found no evidence that the suppliers object to it. That does not surprise me, Mr Oughton, because during the Work and Pensions Review of 1990, you may be familiar with the fact that several people said that they thought that the failure to publish Gateway Reviews and talk about commercial confidentiality was a smokescreen because suppliers do not really care what their policies are, there is a high staff turnover and they really know what it is all about, and it is really about

protecting civil servants from criticism. I am not sure if that is the case or not, but you do have the Freedom of Information Act coming up.

Mr Oughton: Yes, we do.

Q71 Mr Bacon: And what I would like to ask you is this: do you think that the position of not publishing Gateway Reviews is going to be compatible with the Freedom of Information Act because if people apply to look at Gate 0 or Gate 1 and you say, "Well, we don't publish Gateway Reviews", and the Information Commissioner looks at it and says, "Well, there's not really a lot here for you saying either on commercial confidentiality grounds, national security grounds or anything else that it should not be published", you are going to be finding again and again that you are having to accede to publication of bits of Gateway Reviews, so why not just go the whole hog?

Mr Oughton: You will expect, I think, that we are looking very closely both at the exemptions under section 35 and section 36, but also at the issues that would surround different gates at different stages of the process because, of course, any freedom of information access request that is made after January would have to be treated seriously, as the Government has committed itself to do. We would assess those issues case by case, and you would expect us to take into account all of the public interest arguments balanced again against the conduct of business arguments in exactly the way that you would expect us to do with any access request.

Q72 Mr Bacon: Another article in *Computer Weekly* is actually by Mr Allan.

Mr Oughton: It sounds just like a double act!

Q73 Mr Bacon: It is just as good as mine! He says: "If we are to scrutinise projects properly we need to be able to look at the reports compiled during the Gateway review process and see how decisions were made in response to recommendations. We have already seen some instances of projects such as the new tax credit system of the Inland Revenue being given the all-clear by Gateway Review, and then developing problems when implemented." That is the point I made earlier. He then goes on to talk about the ID system. We know from people in the industry that the case for ID cards is "vacuous", which is the word that has been used; and Mr Allan says in this article that assessments have been made of the technical feasibility, and we know that is the case. "Parliament could have a better debate about ID cards if this information is in the public domain, rather than depending on general assurances from Government that it can produce a working system on time and to budget." Given the history of the failure of government to produce these things on time and for them to work, would it be better to have the debate more in the open rather than rely on these bland, not to say glutinous general assurances that everything will be fine?

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Mr Oughton: I am not going to address ID cards as an issue: it is not the subject of this Report and it is not one of the case studies.

Q74 Mr Bacon: No, it is not.

Mr Oughton: As a general principle however, you can take it that, as I have described throughout this evidence, the application of the Gateway process is becoming embedded. It is happening right from gate 0 and gate 1 in many more cases than was typically so when the Gateway process was first introduced. You can take it that a major mission-critical programme or project such as national ID cards would be subject to that Gateway process.

Q75 Mr Bacon: Can you send us a list of your mission-critical projects that you send to the Prime Minister every fortnight?

Mr Oughton: No, I do not think I can because that would be advice to the Prime Minister.

Q76 Mr Bacon: We just have to take it that you have all the projects that are mission-critical in your list. I do not see what the huge objection is to making it more public. You say that the “safe space”, which you described at the beginning, would be hindered. I worry that far from there being a safe space there is a cosy space. In the case of the National Traffic Control Service, there was essentially collusion going on to hide how serious the problems were. It was only when an independent study was undertaken by the Transport Committee using Arthur D Little that the scale of those problems was revealed. Why are you not trying to use the power of shining the torch deeper and the oxygen of transparency that could be of assistance to you, to give yourself more suasion and power than you currently have with departments?

Mr Oughton: I would have to question one of your assumptions, Mr Bacon. As the recipient of a double red from the Gateway process, I can assure you that it is not a very cosy space at all because you have to address the issues; you have to find the solutions. My evidence from examination of those other departments that have received serious red criticism from the Gateway process is that they feel very uncomfortable about that, and they deal with those issues.

Q77 Mr Jenkins: We have already established that centres of excellence are fundamental, partly because they are responsible for improving the skills level within the department.

Mr Oughton: Sure.

Q78 Mr Jenkins: In fact they are so important that in June 2003 the Cabinet set a target for all departments to have centres of excellence.

Mr Oughton: Yes.

Q79 Mr Jenkins: Yet when I read the Report I see that not “good” but only 25% of departments are “making good progress”. It is a shame that your colleagues have come along today, maybe not saying

a word but can you tell us why you think the figure is only 25% for departments making good progress, and would you let your colleagues tell us how they view their centres of excellence in their departments if they think it “good” or, as the Report says, “fair” or “mixed”?

Mr Oughton: Let me have first go, and then—

Q80 Chairman: Actually, you have had enough, I would have thought. Let your colleagues have a go now. Mr Spurr wants to have a word.

Mr Spurr: The programme and project management support unit in the Home Office, which we work closely with and have been working closely with in terms of the OASys project, has been in position now for some while. We think it is beneficial, and it gives additional support in terms of skills development that we can turn to.

Q81 Mr Jenkins: So your centre of excellence is doing very well then?

Mr Spurr: I am very happy. In terms of the links we have had from the OASys project, which is what I can speak about because that is what I am SRO for, then, yes, I have no complaint at all. I think it was helpful to have that.

Ms Baker: I am happy to say that I would say that my centre of excellence is doing a good job because it is within my own directorate, but in fact I do not allow the expression “centre of excellence” to be used, so we do not call it that within the Agency.

Q82 Mr Jenkins: The Cabinet said there were centres of excellence but you are not going to use it.

Ms Baker: No. I am not saying that at all. We provide all those functions that a centre of excellence provides within my directorate; so we have a programme management office with benefits management processes in place, we have project programme assurance, we have responsibility for all the gate reviewers; we have accredited gate reviewers: we have everything there. We have the toolkit in place, but I do not call it a centre of excellence.

Mr Oughton: It is just a label.

Q83 Mr Jenkins: You have a central team.

Ms Baker: It is within my directorate, and it is made up of several teams, so it is a virtual centre of excellence—but I just choose not to call it a centre of excellence.

Q84 Mr Jenkins: Some people have to be different!

Mr Bone: We have centres of excellence throughout the department; there is one in each of the businesses. They work very well with all the projects that are going on in the businesses. There is also a central co-ordination point to make sure we co-ordinate the activities of those centres of excellence and take forward constant improvement processes.

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Q85 Mr Jenkins: So yours are excellent as well?

Mr Bone: Yes, they are, excellent.

Mr Calvard: I will be talking about the same centre of excellence as Mr Spurr because I am also a part of the Home Office. We use the centre of excellence to do health checks on our projects, to decide jointly whether we are ready to do Gateway reviews as well as discussing with OGC. I would say there is more work to do on improving the centre of excellence, and I think it behoves us in the units in the Home Office to work with the centre of excellence to make improvements.

Q86 Mr Jenkins: Mr Oughton, the Report says only 25% are good. How are we going to get the rest? We have got the good ones here. The ones that are not here must be those that are not good. How will you drive those up to the standard?

Mr Oughton: I was going to say, Chairman, that I have nothing to add to these excellent answers; but you ask a different question, Mr Jenkins. The answer is, constantly working with them. In the Report I sent to the Prime Minister at the end of September I was able to say that there had been a significant shift in the last six months. This was hard to get started, and the Cabinet decided that centres of excellence should be created. It was from a standing start. We had to define what they were, what their role was going to be. It was very important to establish their functions and how they were going to interact both with the main management boards of departments and with the individual projects. We have had to work through that. We have also extended the scope, as again Figure 25 makes clear.

Q87 Mr Jenkins: I accept that. It is progress I want.

Mr Oughton: All of that is happening. What do we do next? We either change the nature of the relationship we have with the centres of excellence, because I was very conscious that the OGC role was too distant a role. We were turning up once every couple of months to see how the centre of excellence was doing. That rather leaves the centre of excellence to find its own way. It is a responsibility of ours to help the centres of excellence develop the capability more quickly. Therefore I invested in a team of liaison managers. I now have 14 liaison managers working within the Office of Government and Commerce, who are there not just to pop in once a month to see what is happening; but to spend serious time, between one and two days a week with the centres of excellence, working on these best practice issues and helping them develop capability. As that capability develops, I can withdraw from that, and the centre of excellence will be capable of flying solo in more cases. We are putting effort into helping them now, in the hope that we can pull back in due course. I have invested capacity in helping them.

Q88 Chairman: Mr Spurr, why did your project team participate in the success of the delivery skills programme?

Mr Spurr: When the project started we had a range of skills. We worked with OGC and through OGC we appointed a specific consultant supporter who advised the project throughout. Through that individual and through her specific support, we developed the skills that we needed. We bought in the additional skills that we needed, and delivered a successful project.

Q89 Chairman: Mr Oughton, you know all the work that this Committee has done over the years on IT projects, and the disasters that we have had to look at. Are you telling the Committee now that IT is going to seriously contribute towards efficiency in government, and how will it do so, do you think?

Mr Oughton: I think there have been some very misleading reports, if I may say so.

Q90 Chairman: By us?

Mr Oughton: No, not at all, in the published media about the role of IT in delivering efficiency. As we take forward the implementation of the Government's efficiency programme, I am looking at the areas where maximum benefit can be secured most quickly. Frankly, they are not around the areas where a lot of noise has been evident, or around the areas where we have been offered lots of interesting ideas and suggestions from people external to government. They are in areas where I know we can make progress quickly around procurement, where we expect to secure over £7 billion of the £21.5 billion we expect to gain over this three-year period; around productive time, changing the working practices to get maximum output in front-line service of delivery in the Health Service, over £4 billion in education, over £2 billion in the police and other parts of the wider public sector. The contribution towards the £21.5 billion efficiency challenge that we have been set that will come from modernising our corporate services, the back office stuff that people talk about, is relatively modest, frankly; it is something like £1 billion. The benefit that will come from modernising our transactions channels in terms of pure cash is relatively modest—we estimate about £1 billion. The issues there are much more about effectiveness and not about cost-cutting and efficiency. I am not betting my store on IT being the solution to these problems. In a letter I wrote to the Guardian Society three weeks ago I tried to put that clearly on the record, in the face of some very misleading comments about the central role of IT and delivering efficiency.

Chairman: On that hopeful note, we will end it there. Thank you very much, Mr Oughton, and your colleagues, for coming here today. I think you can expect our report to look at, amongst other things, why Gateway reviews should not be published, and particularly following on from Mr Bacon's excellent questions and the campaign he has been waging; and of course the excellent questions from other colleagues—and also by giving more teeth to your department. Thank you very much.

Letter to the Committee from the Office of Government Commerce

At the PAC hearing on 17 November I undertook to write to the Committee regarding the eight IT-enabled programmes/projects, referred to in paragraph 2.9 of the NAO Report, that have received a red status in successive Gateway reviews.

As I said at the hearing, an OGC Gateway review is conducted on a confidential basis for the Senior Responsible Owner and ownership of the report rests with them—so it is for them to decide how and with whom they share the information within the report.

I can, however, provide you with an update on how and where the projects have progressed in the Gateway process since the “double red” reviews. The details are as follows:

- One programme/project had a subsequent green review.
- One programme/project had a subsequent amber review.
- One programme/project has a further review arranged for January 2005.
- One programme/project has a review request in the pipeline.
- The remaining four have not yet requested subsequent reviews.

Since April 2003 successive red reviews trigger a letter from the Chief Executive of the OGC to the Permanent Secretary of the department responsible. The letter, in particular, highlights the importance of identifying and addressing risks to successful delivery at the earliest possible stage. In this way the Gateway process provides a strong mechanism by which departments at the most senior levels can be alerted to significant risk requiring immediate action.

As requested by the Committee, I am currently in discussion with the Comptroller and Auditor General about what further information could be provided routinely on poor performing projects.

I hope you find this information helpful.

John Oughton
Chief Executive

6 December 2004
