



Public Sector Council

Suppliers Supporting Transformational Government

Smarter use of ICT services by the UK public sector

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1. Introduction and summary

This paper is the Intellect Public Sector Council's (PSC) response to the Government CIO Council and Office of Government Commerce's ICT Market Capacity Report, published earlier this year. The Information and Communications Technology (ICT) industry welcomes the survey as a useful mechanism for predicting the size and nature of the market for public sector ICT services at a time of changing demand.

The members of the PSC agree with the key findings of the study, namely that there are no significant capacity issues that will prevent the UK ICT industry from being able to support the members of the CIO council as they and their organisations embrace the challenge of implementing the Transformational Government agenda.

However, the members do believe that there are a number of areas where the public sector could make significant improvements in how effectively and efficiently it uses the ICT resources at its disposal in order to gain better value from the increased investment in ICT services in the coming years. These include:

- changing the procurement processes adopted by public sector bodies to make them less demanding on the most critical resources
- a renewed and strengthened commitment to the implementation of shared services and common infrastructure for ICT
- increased standardisation of business processes and ICT architectures
- adopting a considered and consistent strategy governing the use of offshore resources for the provision of ICT services

These points are expanded in the body of the paper.

2. Context

With the publication of the Transformational Government Agenda in late 2005, the Government signalled a commitment to effect radical change in the way that public services are delivered – a transformation that will be, to a very great extent, driven by increased use of ICT.

In recognition of the scale of the challenge involved in its implementation, the Government CIO Council commissioned the Office of Government Commerce (OGC) to conduct a study into the ability of the UK ICT industry to provide the additional capacity that this programme of work will require. The member organisations of Intellect's Public Sector Council were pleased to support the study, which confirmed their view that the UK ICT industry is in fact well placed to meet the demands of the Transformational Government agenda.

Whilst the study did identify some potential capacity problems, notably in the availability of senior experienced personnel to work on bid teams and project work, these same issues exist on the government side as well as the supply side. In both cases experienced project management, technical architect and change management roles were identified as those which are at a premium. There is nothing particularly surprising about this. Experience cannot be gained and skills cannot be developed overnight. In any industry, the most capable and experienced personnel are those in highest demand and are able to command the highest salaries. Such individuals in the ICT industry are already playing in a global career market. It is in neither the employer nor the employees' interest that they are idle.

Notwithstanding the fact that some resources are scarcer and more expensive to retain than others, responding to fluctuating demand is precisely what ICT service providers do, whether the demand is for personnel, data centre capacity or some other resource.

In order to compete successfully, whatever sector they are targeting, suppliers must recruit and train staff, invest in facilities and successfully predict and respond to the demands of a dynamic and fast-changing market in order to ensure that resources are available to meet client commitments in a timely manner and with maximum productivity. Successful companies have done this since the birth of the ICT services industry some 40 years ago, through the challenges of the mini and microcomputer revolutions, through the transition from bespoke to commoditised application software, to the "dot-com" boom of the late 1990's and beyond. In summary, managing capacity is a large part of what running an ICT services company is all about.

The OGC's predictions of demand for ICT services by the public sector show a peak during 2008 of around £3.5 billion, up from just over £3 billion in 2006. This increase of almost £500 million or 17% is certainly substantial in relative terms and indicates the scale of the government's commitment to the transformation agenda. In real terms however, it equates only to around an additional 5,000 man-years worth of effort for an industry that already provides 30,000 man years of effort a year to the public sector and nearly twice this again to the private sector. In an industry that employs nearly half a million people in the UK and can increasingly draw on many times this number through offshore channels, meeting the demand for additional capacity represented by Transformational Government should not and will not be a challenge. Indeed, when wage inflation is accounted for, even this increased spend by the public sector will not push overall demand for ICT services above the previous peak observed around the time of the dotcom boom – a fact noted by the OGC in their report.

Nevertheless, the industry welcomes the capacity study as a worthwhile move by government and supports the aim of achieving, on an ongoing basis, a more accurate, consolidated view of the future demand for public sector ICT services.

3. Making more effective use of ICT capacity

So whilst it certainly appears that the capacity to service the public sector's growing demand for ICT services during the next few years is not an issue, the Intellect Public Sector Council does believe that there remain a number of areas where the public sector is not making the best use of the ICT services capacity at its disposal. Many of the potential improvements in these areas are already delivering benefits to the industry's private sector customers. Since Transformational Government is in large part about improving the efficiency of public services, it would seem a timely opportunity to review those opportunities that exist to improve the effective and efficient use of ICT services in all levels of government.

The remainder of this paper therefore focuses on four areas where, by working closely with the ICT industry, the public sector could make useful improvements in effectiveness and efficiency, specifically:

- improving the use of bid resources
- increasing efficiency through shared services and the use of common infrastructure
- increasing efficiency through standardisation
- improving value for money through the use of offshore resources

4. Improving the use of bid resources

The OGC ICT Market Capacity Report identified the ability of the industry to field senior experienced bid teams as an issue that could have an adverse effect on the delivery of individual ICT projects for the public sector. The study also correctly noted that suppliers typically draw on the same pools of resource for business development work and for staffing project teams. It is also clear that the absence of competitive tension in the contest for a new contract can lead to suboptimal outcomes and poor value for money, indeed the Public Accounts Committee has made this point on more than one occasion. It is in the interest of the public sector that competition for new work is vigorous and remains so throughout the procurement process.

However, from the industry's perspective, the issue is not so much whether skilled resources can be found to work in both bid and delivery teams, but rather whether the investment necessary to pursue often long-running procurements through to their conclusion is justified and whether the commercial terms the winning supplier will be asked to accept warrant that investment.

With larger government procurements often demanding the commitment of skilled resources for in excess of eighteen months and leading to bid costs of several millions of pounds, suppliers make decisions about where to spend their limited pursuit budgets carefully, balancing the potential risk and returns against using these same funds and human resources to pursue opportunities in other sectors.

Current procurement practice results in teams of highly skilled resources from different supplier organisations tied up, often for long periods, in multi-party competitions which only one organisation can win. These resources are therefore not available either to work on delivery projects or to compete for other business elsewhere. In short, though competitive tendering is clearly necessary, when viewed at an industry level, the majority of the effort deployed in pursuing new government contracts is in effect, nugatory.

Public sector procurement is governed by specific European legislation, which does bring some timescale and process constraints. However, in the main, the time taken to conclude procurements and the amount of supplier effort necessary to support these, together with the commercial terms applying to the work are all levers that are in the public sector's hands. Finding ways to shorten procurements and make public sector work more appealing, in turn making more efficient use of the supplier resources involved, can only benefit public sector organisations. Potential improvements could include:

- increased use of catalogue and framework-based procurements
- the introduction of a centralised library of pre-qualification information
- greater standardisation of contracts, based on appropriate risk transfer and more balanced commercial terms and conditions
- greater disclosure and warranty of information on the current environments and on assets to be transferred
- more capacity and responsiveness in the agencies operating security clearance processes, allowing suppliers to respond more quickly

Steps such as these would allow suppliers to reduce the overheads associated with funding business development and hence offer more competitive pricing; enable suppliers to pursue more opportunities simultaneously and hence improve the competition for new business and help to improve the availability of those very resources with premium skills that are so necessary to help ensure successful project and programme outcomes.

Intellect's Public Sector Council welcomes the recent work of the Government's Strategic Supplier Board in seeking ways to improve the procurement process and looks forward to working with the CIO Council's member organisations to implement these steps, thereby improving the efficiency and effectiveness of government procurement.

5. Increasing efficiency through shared services and the use of common infrastructure

Since the UK public sector has stated its intention to purchase well over £3 billion of ICT services each year for the foreseeable future, it is right to ask whether the most effective and efficient use is being made of the resources thus purchased. There is at present much discussion about the role of shared services in government. Indeed, the challenge of unlocking efficiencies through the integration of shared services is one of the four objectives that have been given to the Strategic Supplier Board upon which many of the members of the Intellect Public Sector Council sit.

To date, however, progress on adopting shared services for ICT has been limited, with the result that in many areas, ICT capacity is not being effectively used when viewed across different organisations. Whilst many public sector bodies are actively embracing the notion of creating their own services that others can share, there is noticeably less interest in seeking opportunities to share services operated by others. This perpetuation of what might be characterised as a “not invented here” approach can only harm the government’s ability to realise the very real benefits offered by the shared services model.

The Intellect Public Sector Council would like to encourage a more radical approach to influence the adoption of shared services. At present there is no organisation with the authority over individual departments to drive the necessary collaboration. Giving an organisation such as the OGC or CIO Council a stronger mandate to audit large programmes and to demand proof that new requirements cannot be met by a shared solution would go some way towards encouraging a more collaborative approach. Similarly, offering public sector bodies financial incentives for investing in services that can be shared by other organisations may also be a useful measure.

However, the ICT industry recognises that sharing services is not a panacea. Whilst shared services would undoubtedly use capacity (human, data centre and networks) more effectively, industry and government must work together to address the additional challenges associated with the need to perform customer management effectively and to resolve and address any conflicts between the sharing parties. Shared services are also likely to lead to fewer but bigger programmes of work, in turn creating additional demand for the very programme management and technical skills that are already at a premium. Nevertheless, the prize is worthwhile, and it is unlikely that either the Transformational Government agenda or the more immediate efficiency targets of the forthcoming spending review can be fully delivered without a greater commitment to the shared services approach.

6. Increasing efficiency through standardisation

In addition to the potential benefits from the adoption of shared services, there is a significant amount of duplicated and often unnecessary work in government ICT which also provides an opportunity to make more effective use of ICT capacity.

Much of the ICT demand for central government departments or local government organisations is common. Certain types of application, such as Finance or HR systems, abound and the demands on ICT infrastructure solutions are typically very similar, as are many of the business processes that they support. Yet each organisation typically maintains its own IS and IT strategies, standards and policies - often at a high cost. Compliance with those few cross-government standards that do exist is patchy.

Furthermore, new legislation is frequently introduced without sufficient consideration of how complex it will be to operationalise, with the consequence that the resulting business processes demand correspondingly complex ICT systems to support them. This, combined with a culture of preserving working practices rather than adopting new ways of doing things that can be supported by packaged software, further limits the scope to purchase "off the shelf" solutions and perpetuates the need to develop costly and high-risk bespoke systems.

These factors both limit opportunity for reuse and drive duplicated effort in the development of different solutions to the same problem. Furthermore the resulting diversity of systems represents a barrier to Machinery of Government change and to skills transfer between organisations and the ICT suppliers that support them.

Intellect's Public Sector Council welcomes the formation of the Government CTO Council and in particular their objective of creating a government-wide enterprise architecture framework for the UK. Whilst a single, pan-government architecture is unlikely to be either achievable or entirely appropriate, consolidation and standardisation around a common framework would bring valuable benefits. If adopted on a widespread basis and accompanied by an appropriate renewal of support for common standards, such a move would help alleviate duplicated effort and play an important role in improving the effectiveness and efficiency of public sector ICT services. The Public Sector Council is already engaged with the CTO Council and looks forward to working with them to understand how the ICT industry can help to make this vision a reality.

7. Improving value for money through offshore

Commercial organisations are already taking advantage of the significant cost and resource flexibility benefits associated with the use of offshore development services and have been doing so for some time. Although some public sector bodies have begun to follow suit, the level of take-up remains generally low. Intellect's members report a lack of consistency across the public sector in terms of willingness to embrace offshore development and in some cases significant reluctance to do so, driven by political or local policy constraints. Establishing the acceptability or otherwise of the use of offshore resources, and the types of services for which non-UK based resources are acceptable, is frequently a time-consuming problem for ICT suppliers and often remains poorly resolved even where clarification is sought.

As more commercial organisations embrace offshore the dynamics of the onshore elements of the industry will change, with a knock-on effect on the public sector. Whilst moving commercial work offshore might in the short term create oversupply in the market with a corresponding beneficial impact on costs, in the longer term this will only be reversed, as onshore resources become a rarity and those organisations who wish to continue using them are drawing from a smaller pool.

Government cannot avoid making a strategic decision on this topic indefinitely. In the short term the ICT industry would welcome earlier and greater clarity from their public sector clients as to the acceptability of the use of offshore services when bidding for new work. In the longer term, the government and supply side must work together to fully understand the impact that offshore will have on public sector ICT capacity and how to reconcile the specific demands of the public sector with an ICT industry that is increasingly subject to global influences.

8. Conclusion

The Transformational Government agenda represents a significant opportunity to create value for the citizens of the UK with the support of the ICT industry, whose members will in turn clearly welcome the increased market opportunities that the initiative brings. The industry does have the capacity and flexibility to support the transformation in line with the Government's plans and is keen to help.

Recent years have seen a step-change in the maturity of the engagement between Public Sector organisations and the ICT supplier community, through moves such as the CIO Council's Supplier Management Initiative and more tactical steps like the capacity study – moves that the industry welcomes wholeheartedly and will continue to support.

Nevertheless, it is also important that government recognises that the industry alone cannot take responsibility for ensuring that the significant ICT services capacity available to the public sector is used in the most effective and efficient way. This calls for greater collaboration and control from within government than has existed historically, increased recognition of the most appropriate role for all parties and above all, an ever deeper relationship between the industry and its public sector client organisations.

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Intellect is the UK trade association for the IT, telecoms and electronics industries. Its members account for over 80% of these markets and include blue-chip multinationals as well as early stage technology companies. These industries together generate around 10% of UK GDP and 15% of UK trade.

For more information go to www.intellectuk.org

The logo for Intellect, featuring the word "intellect" in a lowercase, sans-serif font. A small green triangle is positioned above the letter "i".

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