# Labour's Zero-Based Review

**Interim Report Number 11: Digital Government** 



# Labour's Zero-Based Review Interim Report No.11

<u>DIGITAL GOVERNMENT: HOW THE CABINET OFFICE CAN LEAD FURTHER DIGITAL</u>
TRANSFORMATION TO DELIVER EFFICIENCIES AND BETTER SERVICES FOR TAX PAYERS

#### **FOREWORD**

This is the eleventh in our series of publications as part of Labour's interim Zero-Based Review, setting out some of the ways in which a tighter approach to financial management under Labour could free up resources, in order to support the public services on which we all rely, and in which we all, as taxpayers, have invested.

Given the failure of the Tory-led government's economic plan the financial environment Labour will inherit means that we will have to make tough decisions and will need a fresh approach to deliver effective public services. Labour will look at how we can drive down costs through better procurement and contract management. We will also look to better tackle the increasing pay bill for Special Advisers which is up £1million in the last year alone to over £8million. This is despite the promises of the Prime Minister to reduce the cost of politics. The cost to the public of Lib Dem SPADs just for the Deputy Prime Minister is currently £1.7 million<sup>1</sup>.

However, at this interim stage our Zero-Based Review has taken digital as its focus. Despite their claims, the Coalition's attitude to digital government has not lived up to the standards which the public should rightly expect. The next Labour government will establish a coherent and ethical approach to the use of data with the presumption that everybody will own and have access to the data they have shared with the public sector.

The Government Digital Service (GDS) is an experienced and talented group who have helped prove that government can embrace new digital technologies. Unfortunately Ministers have too often focussed this group on simple headline-grabbing initiatives that only help the few rather than tackling the more complex and valuable challenges that make government work better for everyone. At its best, digital government can be used by everyone and help with some of this country's biggest challenges such as economic growth, planning, housing or health and social care. Digital can also help keep the UK competitive in the global economy.

The next Labour government will finish the job where the Conservatives have failed, and our Zero-Based Review will help us do this. In delving deep into every pound the government

<sup>&</sup>lt;sup>1</sup> https://www.gov.uk/government/publications/special-adviser-data-releases-numbers-and-costs-november-2014

spends we are throwing light on the current government's waste and false economies. This will help the next Labour government to ruthlessly prioritise public spending and deliver service reform and improvements which maximise the value for money of our public services, rather than just salami-slicing budgets and watching services deteriorate, as has been the practice under the Conservatives and Liberal Democrats.

Labour has pledged, and will legislate for, tough fiscal rules to deliver a surplus on the current budget and get the national debt falling as soon as possible in the next Parliament. We have been clear that there will be no additional borrowing for any manifesto commitment. But by acting in a fairer way our better plan for Britain will secure a strong and balanced recovery that delivers more good jobs and rising living standards for the many, and not just the few at the top.

So Labour will be different from the current government. We will maximise accountability, transparency and public participation, building on the experiences of those at the frontline as the best way to release savings. And we will deliver clear goals for a digital agenda that will improve services and empower citizens, while being efficient and cost effective.

Building on the work of the independent Digital Government Review, commissioned by Chi Onwurah MP, we will learn from international best practice on IT and digital government and will drive savings and efficiencies by:

- Incentivising the growth of a digital platform for government. This will provide a
  common approach to building and delivering public services whilst also opening up
  government data and transactions through interfaces based on open standards. This
  will provide a common approach to giving people ownership and control of their
  data whilst also creating savings by reusing technology and processes across
  traditional departmental silos. This approach can be used by the whole public sector
  to create savings and improve services centred around, and powered by, people.
- Examining the potential for accelerated digital inclusion to improve people's lives and achieve efficiency in government departments that will increase citizen participation with digital services and create efficiencies.
- Using the expiry of major government IT contracts to break up services into components that form part of a flexible and enabling architecture which saves money and provides opportunities for small and medium-sized companies.

A Labour Cabinet Office will deliver a comprehensive roadmap for transforming the relationship between government and citizens. We will build public services around people and places rather than service silos and institutions. Decentralisation, early intervention and prevention will be our watchwords. And digital government will help us to deliver.

Chris Leslie MP, Shadow Chief Secretary to the Treasury Lucy Powell MP, Shadow Minister for the Cabinet Office

# LABOUR'S ZERO-BASED REVIEW

The Zero-Based Review is a root and branch analysis of every pound the government spends. It will help the next Labour government to ruthlessly prioritise public spending and deliver service reform and improvements, rather than just salami-slicing budgets and watching services deteriorate, as has been the practise under the Conservatives and Liberal Democrats.

This process is intended not only to reveal the current government's costly errors and skewed priorities but will require the Labour Party to grasp opportunities to deliver reformed public services which are valued and justifiable; which provide value for money and quality services that meet the needs and demands of the public who use them; and which can both make savings, and secure economic growth.

Fundamentally reviewing current government spending is a necessary step in preparing for office. In 2013 Ed Balls MP, the Shadow Chancellor, announced that Labour would conduct a detailed review of every pound the Government spends, in order to help prepare ourselves for the challenges the next administration will face. We set out the principles of our Zero-Based Review in a Phase 1 discussion document in December 2013.

Chris Leslie MP, Shadow Chief Secretary to the Treasury, has been examining detailed departmental expenditure as part of our first round of the Zero-Based Review, analysing every budget and exploring public service reform and redesign in detail with each Shadow team. This process has been guided by the following five principles:

- We will use public money more efficiently and seek efficiencies in every area of government spending
- We will use all departmental budgets to strengthen the economy supporting growth, job creation, innovation and exports
- We will ensure greater fairness in the impact of spending and will prioritise spending that prevents future problems
- At the same time as increasing efficiency, the quality and experience of public service must improve – offering the speed, simplicity and responsiveness that people now expect
- We will strengthen accountability and transparency across government with clear efficiency incentives for all departments

No department has been exempt from this process, including any areas that we may choose to protect or ring-fence, because efficiency will be necessary across all areas of spending.

Our work for Phase 1 of our Zero-Based Review has been informed by the wide range of reports which have contributed to the Labour Party's Policy Review: the Armitt Review of long term infrastructure planning; the Local Government Innovation Taskforce; the Stevens Review of policing and crime; the Digital Government Review; and the Adonis Growth Review, to mention just a few. Labour's Treasury team will continue to collaborate with

Shadow Ministers to expose waste, mismanagement and poor decision making by David Cameron's government, as well as increase the scrutiny of each departmental balance sheet over the months to come. We will complete our Zero-Based Review with our first Spending Review in government, but this early work is crucial to inform the policy choices we will make. As Ed Miliband and Ed Balls have outlined the next Labour government will be about big reforms and not big spending.

# THE CHALLENGE

The current government will fail to eradicate the deficit as they promised, leaving behind a £75 billion shortfall which will place an incredible burden on public services for the years ahead. But as the next Labour government, we are determined that savings and efficiencies can be found in a fairer way, viewed through the values that we hold and our determination to protect the frontline services.

While the Cabinet Office covers many strands of government – and we have previously highlighted savings that can be achieved through civil service relocation in our Zero-Based Review<sup>2</sup> on the management of government assets and liabilities – the focus of this interim report is on the Cabinet Office's contribution to digital government.

As part of our drive for savings and efficiency, the next Labour government will be the most digital government ever and we will be seeking to put citizens in control of increasingly digital public services. Only a radical Labour administration in 2015 can bring about a progressive digital government which delivers for the citizen and for the public purse.

We will also learn from the mistakes of the current government. The Ministry of Justice recently wasted £56.3 million on the development of an in-house system for back-office HR and payroll functions with Government Shared Services' contractor Steria, only to subsequently learn that the Cabinet Office was already developing its own version with the same supplier<sup>3</sup>. The Department for Work and Pensions spent £27 million on the My Benefits Online project which would have meant people could have applied for social security payments online which was then superseded by Universal Credit, a programme which will itself see a likely write off of £663 million of IT costs<sup>4</sup>.

In the 2014 UN e-government survey, a global authoritative measure of how public administrations provide electronic and mobile public services, the UK had slipped five places<sup>5</sup>. And worryingly, the House of Commons Public Accounts Committee has found that the government may not be fully committed to its promise of moving on from the old ways of delivering IT, warning last year that the government must not allow its focus to drift<sup>6</sup>.

There are signs that government departments have begun to take their eye off the ball - placing too much trust in contractors and relying too much on the information contractors

 $\frac{https://www.gov.uk/government/uploads/system/uploads/attachment\_data/file/323308/moj-annual-report-2013-14.pdf$ 

http://www.publications.parliament.uk/pa/cm201415/cmselect/cmpubacc/585/58502.htm

 $http://www.yourbritain.org.uk/uploads/editor/files/Interim\_ZBR\_assets\_and\_liabilities\_balance\_sheet\_report.pdf \\ {}^3 P.47$ 

<sup>&</sup>lt;sup>4</sup> http://www.computerworlduk.com/news/public-sector/3590699/hm-treasury-admits-to-potential-663m-of-universal-credit-it-cost-write-off/

 $<sup>^5\</sup> http://unpan3.un.org/egovkb/Portals/egovkb/Documents/un/2014-Survey/E-Gov_Complete_Survey-2014.pdf$ 

supply<sup>7</sup>. There is a need for these contracts to be managed at a sufficiently senior level, with strong accountability and transparency arrangements in place, by people with the right expertise.

And while the Cabinet Office, and in particular the Efficiency and Reform Group, has claimed delivery of significant savings, the reality has often been inflation of savings with the potential for overstatement of projections<sup>8</sup> and delaying spending decisions, passing the problem on to future governments, rather than implementing true efficiencies<sup>9</sup>. The Cabinet Office has also failed to meet its own targets in designing digital services.<sup>10</sup> The Cabinet Office has not hit its target of 25 exemplar services being live by March 2015, despite the budget of the Government Digital Service increasing from £9.7 million in 2011/12 to £23.3 million in 2013/14<sup>11</sup>. Spending by GDS on IT specialists has also notably increased in the last financial year, with a spend of £7.9m recorded in the latest data available<sup>12</sup>.

It is also clear that too many government departments and ministers continue to approach IT as a separate challenge in itself, rather than as an enabling technology that can redesign public services and solve challenges within and between departments. This has often led to digitised analogue silos - where public data is currently only fit for purpose within the department, or specific bunker within that department, and is not portable to other departmental systems.

The current government has moved too slowly on defining architecture; on opening up the secure interfaces (Application Programme Interface, or APIs) – a set of routines, protocols, and tools for building software applications; and moving towards a common platform with reusable components, including at the Cabinet Office<sup>13</sup>. While between central government, local government and other bodies, there are too few example of shared platforms, architectures, and best practice<sup>14</sup>.

<sup>&</sup>lt;sup>7</sup> http://diginomica.com/2014/12/11/government-platform-big-win-uk-whats-strategy/

http://www.nao.org.uk/wp-content/uploads/2014/07/The-2013-14-savings-reported-by-the-efficiency-and-reform-group.pdf Section 2.3, pg 14

<sup>&</sup>lt;sup>9</sup> http://www.nao.org.uk/wp-content/uploads/2013/07/10166-001-Efficiency-and-Reform-Group-Book.pdf Section 2.5, pg 20

 $<sup>\</sup>frac{10}{http://www.computerworlduk.com/news/public-sector/3581154/government-to-miss-march-2015-deadline-for-redesigned-digital-services/\\ and \\ https://www.gov.uk/transformation$ 

<sup>&</sup>lt;sup>11</sup> Cabinet Office annual accounts, various additions, https://www.gov.uk/government/collections/cabinet-office-annual-reports-and-accounts

<sup>&</sup>lt;sup>12</sup> House of Commons Library analysis of https://www.gov.uk/government/publications/cabinet-office-spend-data

<sup>13</sup> https://insidegovuk.blog.gov.uk/2014/09/15/current-state-of-apis-on-gov-uk/

<sup>14</sup> http://digitalgovernmentreview.readandcomment.com/wp-content/uploads/2014/11/Making-Digital-Government-Work-for-Everyone.pdf pg 76

As Ed Miliband has said the presumption should be that everybody will own and have access to their public sector data<sup>15</sup>. We will build on that with a review that will establish a coherent and ethical approach to the use of data<sup>16</sup>.

The importance of delivering efficiency and savings through the government's IT infrastructure is why the Labour Party asked Alexis Cleveland CB, former Cabinet Office Director General and expert in transformational government who has also run the Benefits Agency and The Pension Service at DWP to lead work on the IT efficiency strand.

This project proceeded in tandem with the important work of the independent Digital Government Review. Under the guidance of an expert advisory board and with contributions from a wide range of stakeholders across the country, the report suggested a comprehensive roadmap for transforming the relationship between government and citizens.

This interim Zero-Based Review document builds on this important independent work and details how the next Labour government could maximise savings and efficiencies in digital services in three key areas:

- Incentivising the growth of a digital platform for government. This will provide a
  common approach to building and delivering public services whilst also opening up
  government data and transactions through interfaces based on open standards. This
  will provide a common approach to giving people ownership and control of their
  data whilst also creating savings by reusing technology and processes across
  traditional departmental silos. This approach can be used by the whole public sector
  to create savings and improve services centred around, and powered by, people.
- Examining the potential for accelerated digital inclusion to improve people's lives and achieve efficiency in government departments that will increase citizen participation with digital services and create efficiencies.
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# **DIGITAL GOVERNMENT**

Digital transformation provides the opportunity to build a new type of government, one that works for people, and that delivers services in a cost-effective way that simplifies and automates many processes.

However, there is a lot to do to both complete this transformation, to ensure that it is inclusive, and to deliver and maximise the potential savings that can result.

<sup>15</sup> http://press.labour.org.uk/post/76238073973/ed-milibands-hugo-young-lecture

<sup>16</sup> http://www.bbc.co.uk/news/uk-politics-30197740

IT has traditionally been seen as "the third rail" by Ministers and officials, a too risky prospect left poorly managed as a result. A lack of ministerial ownership and leadership, instances of repetitive data entry which are inconvenient for citizens, and poor data security, have earned government IT a poor reputation.

As a consequence much of our activity is also contracted out to external service providers at significant cost.

Labour's fourth Zero-Based Review emphasised the centrality of information technology to public service delivery. The work on government use of IT, led by Alexis Cleveland CB, stressed the importance of not looking at IT costs in isolation. Under a future Labour government departments will widen the focus from IT costs, and remember that IT can be used to reduce the total costs of a service or policy programme whilst adding wider social value.

It has become increasingly clear that Ministers need to engage with and understand the IT use and needs of their department, and that government should recognise that IT issues vary greatly between policy-heavy and delivery-dominated ministries. IT use can be tailored accordingly: one size does not always fit all.

Whilst the onus should be placed on designing policy to fit delivery and integrating the IT required around that, we will explore how we can avoid a default attitude to bespoke system commissioning which often involves heavy costs. We will continue the work of GDS to build shared, standardised platforms that can be used across the whole of the public sector. Common platforms will also allow government to share more data and eliminate costly duplicated projects.

GOV.UK and other components of a government platform, such as the Public Service Network, have a huge capacity for reuse, and this could reduce the cost and time it takes to implement new policies or build new services. BT, who are helping to deliver the PSN, indicate that savings of £130m per annum in central government are achievable via use of this platform<sup>17</sup>. Standard core systems can also be locally configured and should not be incompatible with the flexibility that will be required to see a project through its stages to successful delivery. **Labour will look to develop the opportunities for the reuse of such platforms.** 

Major projects also require greater effort to identify the right skills and leadership which need to be secured at the earliest possible stage. Too often the key leaders of major projects are not retained in place throughout a project, in particular through to delivery, and the next Labour government will strengthen Ministerial ownership, oversight and leadership of governmental IT projects.

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# **DIGITAL INCLUSION AND DIGITAL SERVICE DELIVERY**

Maximising the potential benefits of digital government will also require maximising the level of digital inclusion. As the independent Digital Government Review highlighted, the government has failed to address effectively digital inclusion. It has failed to understand or assist the 21% without basic online access and skills. Instead, this challenge has been left to the voluntary sector, the private sector and local government<sup>18</sup>. Central government only belatedly launched a digital inclusion strategy in April 2014, and its execution has only just started<sup>19</sup>.

Moving the digitally excluded online and using digital government services would directly save the costs of using more expensive service delivery, and this is the essence of the current government's Digital-by-Default strategy. The government's own estimate from the Cabinet Office's Digital Efficiency report<sup>20</sup> is that the savings in direct government expenditure will reach £1.7 billion per annum. It estimated that it was on target to achieve £1.2 billion savings for the period 2010-15<sup>21</sup>, with savings spread across those departments converting to online transactions.

The government's current projections show 90% of the population having digital skills by 2020. However, significant savings can be made by moving online the 10% of the population who are currently assumed to not be able to achieve these skills in the government's current strategy.

We know that savings from digital inclusion are likely to come from reducing time involved in processing digital transactions compared to offline alternatives; estates and accommodation; postage, packaging and materials; and the costs of supporting IT systems.

There is potential for significantly greater savings if we were to expand the reforms to parts of the public sector departments that the current government's Digital Efficiency Report does not cover, for example to local government, health and police.

Given this potential it is concerning that the government does not seem to know what it currently spends on digital inclusion<sup>22</sup>. The next Labour government will audit government spend on current digital inclusion initiatives and refocus it to make it more effective.

#### **SHARING INFORMATION**

https://www.gov.uk/government/publications/universal-credit-

<sup>&</sup>lt;sup>18</sup> Some local government digital inclusion work is funded by DWP via the Universal Credit LSSF (Local Support Services Framework) fund:

<sup>19</sup> https://www.gov.uk/government/publications/government-digital-inclusion-strategy

<sup>&</sup>lt;sup>20</sup> Digital Efficiency Report, Cabinet Office, November 2012, at

https://www.gov.uk/government/publications/digital-efficiency-report/digital-efficiency-report

<sup>&</sup>lt;sup>21</sup> 184 <a href="https://www.gov.uk/government/news/new-digital-public-services-will-help-britain-win-the-global-race">https://www.gov.uk/government/news/new-digital-public-services-will-help-britain-win-the-global-race</a> p. 110

http://www.parliament.uk/written-questions-answers-statements/written-question/commons/2014-12-17/219105

Public services frequently ask people and businesses for the same data, yet there is no coherent ethical or legal framework for how this data can be used and shared.

Further, there are legitimate concerns about privacy, individual rights and the risk that government data stores might be targets of cybercrime. We know that the Tory-led government has been heavily criticised for its handling of health data in the care.data project<sup>23</sup> and tax data in HMRC<sup>24</sup>.

More recently the report to the Secretary of State for Health from The Independent Information Governance Oversight Panel makes it clear that the government's top down reorganisation of the National Health Service has negatively impacted its ability to share data properly: "... an unintended consequence of the changes introduced by the Health and Social Care Act 2012 was the loss of centres of expertise in information governance that had existed in Strategic Health Authorities and Primary Care Trusts.<sup>25</sup>"

These examples demonstrate the risks and unintended consequences which have become associated with data sharing under this government which can both harm individuals and also damage the wider public's trust and willingness to engage in data sharing.

This is why Labour has made the important commitment to commission a review of data sharing in government. Establishing a review can unlock the benefits of data sharing in a way that builds the trust and restores the public confidence that has been so badly damaged by government blunders like care.data. A review which sets out ethical and legal principles, and a framework for data sharing could also realise efficiencies by rooting out duplication of data collection and improve the delivery of public services.

# **SHARING PLATFORMS**

GOV.UK and other components of government platforms have a huge capacity for reuse. Most of its code is open source, which allows other users to use it rather than develop their own bespoke solution. Other countries have seen the benefits that this can provide, with the New Zealand government adapting GOV.UK's basic design elements rather than commissioning a service from the ground-up, saving time, money and resources in the process<sup>26</sup>.

Given this success of sharing platforms with other governments, Labour argues that it is sensible to explore the savings that could be gained by encouraging increased use of government platforms by non-governmental bodies and local authorities in the UK. The

share-data

 $https://www.gov.uk/government/uploads/system/uploads/attachment\_data/file/391533/iigop-annual-report.pdf$ 

<sup>&</sup>lt;sup>23</sup> http://www.theguardian.com/commentisfree/2014/feb/28/care-data-is-in-chaos <sup>24</sup> http://economia.icaew.com/news/april2014/criticism-builds-over-hmrc-plans-to-

 $<sup>^{26}\</sup> https://gds.blog.gov.uk/2013/07/26/working-with-govt-nz/$ 

provision of online services at a local authority level is a complex environment, where the scale and diversity of the challenge is considerable. Local authorities in the UK range from London Boroughs serving densely populated areas to Welsh councils serving large-scale, lightly populated geographies. A council typically delivers 400-600 services, and will have accumulated IT systems over the years to handle the challenges of each service. These are frequently bespoke systems built for a particular service and often procured on long-term contracts. Each public service will be subject to guidance and directives from central government departments as well as demands from the people that they service locally.

However, within this diversity, some challenges and service needs are common to almost every local authority. And there will be similar services that need to be provided, which could often be based on a similar platform.

The National ICT Commercial Category Strategy for Local Government has estimated that £2.2bn is spent on ICT across the 353 English local authorities, with nearly £600m spent on ICT hardware and software<sup>27</sup> - principally on bespoke solutions. Comparatively, by using a common platform based on the freely available GOV.UK code, the New Zealand government estimates that it is saving up to \$50,000 dollars on each web project<sup>28</sup>. It is clear from the experience of New Zealand that with the right framework and incentives in place, savings could be achieved for local authorities and other organisations from saving IT platforms.

Using the pound sterling value of the New Zealand savings projections per contract, and based on a conservative assumption that just a quarter of local authorities would switch to using their own implementation of the GOV.UK component when their websites are next renewed, frontline savings of over £8.6m per year could be delivered.<sup>29</sup>

Suggested savings from		Number of			
the New Zealand	Exchange	Local	Assumption	Web	
experience, per contract	rate (\$NZ	Authority	of level of	projects per	Yearly savings
(\$NZ)	to £UK)	contracts	adoption	year	

<sup>27</sup> 

 $http://www.local.gov.uk/documents/10180/5878079/National+ICT+Strategy+April+2014. \\ pdf/545d3872-baa7-408a-87ca-0f484da520ad$ 

http://www.computerworld.co.nz/article/526558/nz\_government\_agenices\_share\_web\_plat form/

 $<sup>^{29}</sup>$  Figures calculated using the closing price on 16 Feb 2015 from fx.com - NZD/GBP close:0.49044

				<b>4</b> 30	
50,000	0.49044	353	25%	4	£8.6m

There is need for greater collaboration between local authorities and greater support and collaboration between central and local government. Both central and local government can learn from each other, building potential for far greater savings if we can build an environment where back-end systems are based on common standards. We will examine how we can better stimulate and support this joint working and collaboration between and within all levels of government so we can drive efficiencies and bear down on costly duplication or unnecessary bespoke systems.

As a platform based on open standards is developed it will then ease the implementation of new policies or the redesign of existing services whilst open APIs will allow the platform to take the form of 'digital scaffolding'<sup>31</sup> that allows communities and people to, with appropriate safeguards, use the capabilities and information held by government to create other innovative new services.

# **BETTER IT PROCUREMENT**

Margaret Hodge, Chair of the Public Accounts Committee, has highlighted concerns that the government must guard against large suppliers of government IT infrastructure becoming too important to fail<sup>32</sup>. The PAC has suggested that through encouraging competition by, for example, splitting up contracts to encourage small and medium sized enterprises to bid for work, significant efficiencies and savings could be found.

The government has said that there remain twelve to eighteen months of government IT contracts currently outsourced to large suppliers<sup>33</sup>, presenting a crucial period for the provision of our IT infrastructure, and a moment of opportunity. For example, over the next two to three years major contracts in both DWP and HMRC coming up for renewal will create the opportunity for major cost savings (estimated at 25% in HMRC<sup>34</sup>), if the delivery is well-planned and executed.

<sup>&</sup>lt;sup>30</sup> Assumption based on patterns of repeated website spending in two typical councils – North Yorkshire and Gloucestershire. See

https://spendnetwork.com/buyer\_transactionsByID/E2721\_NYCC\_gov?supplier\_id=0355390 8\_com and

https://spendnetwork.com/buyer\_transactionsByID/E1620\_GCC\_gov?supplier\_id=03553908 \_com for examples.

<sup>&</sup>lt;sup>31</sup> http://digitalgovernmentreview.readandcomment.com/empowering-people-and-communities-through-digital-services/digital-communities-enabling-and-participating/

<sup>32 &</sup>lt;a href="http://diginomica.com/2014/12/11/government-platform-big-win-uk-whats-strategy/">http://diginomica.com/2014/12/11/government-platform-big-win-uk-whats-strategy/</a>

<sup>33</sup> http://diginomica.com/2013/08/14/giants-smes-battle-uk-public-sector/

<sup>34</sup> http://www.computing.co.uk/ctg/news/2378438/hmrc-to-scrap-aspire-outsourcing-contract-in-2017-25-per-cent-savings-expected

A key example of this is HM Treasury's move from a single contract for IT to a new model with many short-duration contracts with multiple suppliers when its current contract ends in 2017. This involves moving to a new model of outsourcing which sees the HM Treasury contract broken up into a number of components<sup>35</sup>.

There are significant potential savings that could be achieved by the next Labour government by expanding this approach to other delivery departments. The Cabinet Office estimate that there are £4bn of ICT contracts due to expire in each year of the next Parliament, which presents an opportunity for significant savings. Breaking up large contracts into smaller components can create a more competitive tendering process will continue to deliver savings throughout the next Parliament. On the assumption that only half of these contracts are suitable for tendering in the same form as the Treasury IT contract, and on the assumption that only 25% of the projected savings are realised once other costs are factored in, a more competitive tendering process could potentially deliver savings of £2.5bn by 2020.

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<sup>35</sup> http://www.computing.co.uk/ctg/news/2320251/hm-treasury-prepares-for-ict-2015-programme-with-gbp255m-tender



