

EURIM Working Party Minutes*Working Party: 06-PubProc**Ref: 00-WP06-Min02**Minuter: Kate Norman**Date: 22/03/00**Circulation: PubProc WP contacts*

**Minutes of the EURIM Public Procurement WP Workshop
on Best Practice in Public Sector ICT Procurement**
held at Compaq Computer Ltd, 10 Finsbury Square, London EC1
on Wednesday 22nd March 2000

Summary of major points:

The latest PAC report in this area highlighted the extent of the continuing problems relating to major government IT projects. The PAC only reported after the event. There was widespread frustration that their earlier advice had clearly not been taken.

There were many best practice initiatives under way at present. Procurement rules made it difficult for the public sector to adopt some of the procedures.

Better business processes were a key requirement, but the culture of civil servants was a major obstacle to this.

Because the public procurement process takes longer than the private sector equivalent, good project management is even more important.

There is a massive lack of suitable skills within the public sector and no apparent interest by civil servants in acquiring them.

“If common sense could actually be applied then there would be no need for best practice.”

The way forward:

- More project managers, properly trained and personally accountable;
- Peer review from very start of - and throughout - project;
- Change in central government culture to remove stovepipes and share experiences;
- Pressure to change the procurement rules that run counter to best practice.

Problems elsewhere in Europe were the same as in UK and implementation difficulties were similar. An EC funded initiative was seeking to promulgate best practice across the EU.

Workshop Minutes:

1. Lord Renwick (Chairman of EURIM) welcomed everyone and thanked Compaq for hosting the meeting.

2. Barbara Nielsen (Working Party Chairman) outlined the objective of the meeting. She said that a number of different organisations were working on separate strands of the overall picture. Someone had to gather together these strands and take them across to Europe so that they could be put into a pan-European context which could influence procurement laws. She commented that there were a number of areas where best practice could be implemented in the public sector in the UK and still be within the rules, but the advice given to departments meant that this was rarely done.
3. BN then introduced Richard Page MP who was a member of the Public Accounts Committee and chaired their recent review of major government IT projects. He said that the PAC was the oldest of the select committees but it had not been particularly significant until 1983 when the value for money concept was introduced into the system. Efficiency, effectiveness and economy had to be monitored. The PAC, he said, did not question policy, which was a huge strength. They produced reports after an event had occurred. They were always agreed reports, so if they contained criticisms, then the accounting officer had agreed to that comment (and therefore couldn't criticise it afterwards). This made the committee very powerful and all its reports in the last ten years had been unanimous.

RP said that patterns emerged and they saw various government departments falling into the same traps. Because civil servants were set in their ways, they all made the same mistakes. They did not realise this as there was no cross fertilisation of ideas. The PAC had asked them to think about this - 14 reports carried essentially the same messages - and the committee had made statements on how it believed public money should and should not be spent.

When they started to look at IT procurement, they found that this was typically done by a senior civil servant who knew nothing about either computers or procurement. They didn't approach the project in the right way and relatively simple systems went wrong with alarming rapidity. First they had PFI, now they were going over to framework deals, working more closely with suppliers, which made more sense. But they still needed to grasp the idea that systems could talk to systems in other departments. In the 1980s too many stand-alone systems were installed, which reinforced the existing stovepipes.

The basic message coming out was one of common sense and it was alarming that this was not realised. He cited some examples from their most recent report:

- The Immigration Service decided to move offices at the same time as they were installing their new computer system and did not keep their old system running until the new one was OK. They were also running their IT staff down at the same time and it took a while to suspend the run-down until they had the computer system right. Their difficulties were compounded by the government changing immigration rules which meant there were many more asylum seekers than formerly.
- The Passport Office decided to install their new system first in their largest (not their smallest) office. Despite its not working properly, they then went ahead with installing it in their second largest office.

- The NHS failed to pay attention to the management of risks and had no contingency funds. They had already spent £32 million when they discovered that full activation of the project would cost vastly more than they had budgeted.
4. BN thanked Richard Page and said that he had illustrated the need for the reorganisation of procurement as part of joined-up government. The Office of Government Commerce was, she said, critical to achieving what he had been talking about and she introduced Mike Davis to describe their role.

MD said that the former procurement group from HM Treasury had formed the Procurement Policy Team in OGC. There was also a Best Practice team, of which his colleague, Simon Woodall, was a member. The OGC came into formal existence on 1st April and included the Private Finance team as well as people from the CCTA and PACE. Most personnel would stay in their own locations. The OGC remit was, he said, to work within the existing procurement policy and legal framework and to deliver better value for money through organisational and best practice methods. No attempt was being made to centralise the procurement process - with would still be done in departments but with advice from OGC. He identified three key issues for the OGC:

- Domestic value for money objective. This did not mean taking the lowest price but of finding the optimum combination of whole life cost and performance. This was particularly helpful when environmental issues were involved. This needed to be emphasised; departments did not pick up this key point.
- Application and implementation of EC procurement rules. This involved detailed work but fitted with their value for money policy.
- Development side of EC and international procurement. That involved negotiating changes to directives. The UK had been well in the lead on the effort to update and make the rules more flexible. The process had now been ongoing for several years but some final ideas were expected from the Commission around Easter. Electronic Procurement was a large part of this. It had to be available as a method that could be used - not one that was compulsory. It would, however, carry the carrot of reduced time scales to take account of the fact that a faster process was involved. There was still uncertainty on how it would develop but the UK had a target of 90% of general transactions being done electronically by 2002. SIMAP already enabled the Official Journal side to be done electronically, but the tendering process was much more complex.

Finally, MD said that the OGC was not just about policy - that was the higher level framework - but about expenditure control, best practice and organisational issues. Most of the OGC staff would be in the best practice area.

Asked by RP whether the OGC would have greater powers than those of the CCTA, which had been able to advise, but not to insist, MD said that he was not sure of the details. He expected that more powers would develop as a means of achieving value for money objectives. By bringing existing powers together they should be able to show more clearly the benefits of following best practice. SW commented that there would be an opportunity for them to be involved before major projects were started.

In response to questions, MD and SJ indicated that the OGC would be taking a more proactive role and be ready to give good advice early on. They would take a keen interest in project management and regarded skills of procurement staff as a major issue.

Reference was made to the role of an external assessor who could check periodically that projects were on course and that objectives were reasonable. The different approaches and the time lags in communication between the accounting officer and the project manager were also seen as a problem area.

5. BN said that books and manuals galore had been written on best practice but no one read them. In a risk averse environment there was always something to stop forward looking initiatives and accounting and finance people would block attempts to optimise the use of current systems if new expenditure was involved. She had recently visited the Civil Service College at Sunningdale and discovered that they had only one course on IT/IS procurement - and that was in danger of being axed because of lack of demand for it.
6. BN then introduced Charles Hughes to talk about the CSSA project. CH said that they had started in January with an aim to examine large IT projects and find out what could make future ones go better. Currently more than half did not deliver what they were planned to do. A key group of organisations - Andersen Consulting, Bull, EDS, IBM, ICL were involved. They had collected evidence from industry, scanned books and consulted experts. They were now at the stage where some of the messages were becoming clear:
 - They had been reminded that “there is no such thing as an IT project”; looking at them in isolation was almost certain to lead to disaster. What was being examined was business change/reengineering with a large ICT component. Separating off a project as ICT set it off on the wrong foot from the start. Most framework deals meant that responsibility for the business programme was outsourced, but responsibility still rested with the department.
 - There was, he said, a desperate lack of project managers for these programmes. There were too few people in government with the knowledge and experience to run such projects successfully. There was no pool to draw on ; the qualities required did not sit comfortably with those needed to be a good civil servant. Industry, itself, was also short of people with these qualities. We had to be very clear what we meant by project manager and work out how to provide more of them.
 - The senior person within government who could make a particular project succeed must be identified and briefed and be the person to whom issues could be referred. There was a tendency to ignore issues until they became big . The great need was to open communication up and down trees and across sectors at an early stage.
 - There was recognition that the government environment was different from the private sector, not least in the area where EC rules mitigated against, and sometimes conflicted with, what was regarded as best practice. The committee considered it wrong, that despite knowing what best practice was, it could not be implemented. They had found the PAC reports very helpful and shared their frustration at the extent to which their advice had not been taken and implemented. This was largely because every time a large project was launched, everyone thought it was unique and they must start from scratch. Because PAC reports were retrospective they could only influence new projects. He considered that the requirement for the accounting officer’s approval meant the reports were not always as

frank as was needed. So another mechanism was required. He welcomed the Cabinet Office statement on peer review - but did not yet know in detail what that would involve. New processes were being put in place and someone somewhere had to be responsible for them and for mandating them. Advice and guidance had not been sufficient; something else was needed.

- There had never before been a serious follow through programme on the recommendations that had been produced. No one was charged with making recommendations work within government. That would have to be with a unit within government that could ensure procurement programmes went well. We were now on the verge of a significant increase in the amount of activity in this area with the modernising government and e-commerce agendas. The future, he said, was based on getting this right.
6. Peter Duschinsky gave the perspective from Buy-IT, which tried to promote best practice in ICT procurement. All discussions came back to the PAC report - what to do when government so obviously could not get it right. Their people all had hands on experience of the kinds of problem people faced; very few had any connection with technology nor with ways the technology applied to the section concerned. The issue was about management practices that underpinned procurement and implementation. BuyIT was thus about realising business benefits. The Practice Group published guidelines which were well received and were still in frequent use. They were gradually getting a higher profile. They held regular meetings using their industrial and professional members as an expert panel sitting between the buyer and the supplier side. Their guidelines now needed to be updated but they were, he said, still 90% valid. The key question was why were they not being used. They contained good common sense material, much provided by the CCTA.

They were launching in June a Procurement Best Practice Network to bring purchasers together and to enable them to share experience as they travelled up the learning curve. He thought that perhaps more initiatives of this type were required, perhaps to the extent of forcing those responsible for major projects to be part of an ongoing sharing of experience. They had found that many potential benefits of a project were not being realised for lack of project management in the organisation as a whole, not just on the immediate project.. There was a need for a general increase in such skills and an understanding of how essential was the right training.

7. Bob Griffiths spoke for SOCITM whose members were concerned with the delivery of IT services to local authorities, housing associations and the emergency services. They were responsible for about 10% of IT spend in the UK. There was also a significant private sector group which was delivering services to members and their experience was also incorporated.

Local authorities, he said, varied significantly in size and this affected how things were done, within the framework dictated by the rules and accountability to the public. All their activities were open to inspection. SOCITM had looked at procurement activities and produced several reports, information on which was available on their website. LAs had some success stories to record, eg Council Tax bills being ready to send out only five weeks after the detailed legislation had been announced.

SOCITM were interfacing with other groups to look at the issues involved for Information Age government. Local government had to strive continuously to improve its performance and cope with the changing environment. They had to see that rules were enforced and guard against too informal a relationship with suppliers; accountability required a formal process. They wished to have a close relationship with local suppliers but they had to find an acceptable way of doing this. They were getting conflicting messages from different government departments. Because of these needs, public procurement took longer than the equivalent purchase in the private sector and this made good project management all the more important. He concluded that SOCITM needed to do more to publish what they were doing.

8. BN said that the background provided clearly defined the problem and the purpose of the workshop now was to generate suggestions for the way forward. Topics immediately identified were: training; follow through; risk; business drivers; project managers; supplier management; accountability.
 - *Peer review* was seen as particularly important. SOCITM already did this and it was amongst the CSSA recommendations. She asked whether, if peer review were to be a part of the process, SOCITM was a good benchmark. BG said that unlike those in central government departments, local authority people were happy to share their experiences - it was an important part of their culture. The brutal side of peer review occurred when those with poor systems were made to adopt ones that worked. It was suggested that LA systems were in fact less complex than many central government ones. Many authorities were still buying their own IT, then outsourcing its use. If the whole system was outsourced, it was more difficult to specify correctly. LAs had been strapped for cash for so long that they had been forced to adopt VFM long before it was an objective in Whitehall.
 - Regarding *rules/guidelines*, it was suggested that more of the latter ought to be mandatory. Although there was an emphasis on accountability, nothing actually happened when something or someone failed. Perhaps there were legitimate reasons for the widespread avoidance of best practice. There was little purpose in creating new sets of rules to be ignored. Objectives might not be so well defined as they should be. If common sense could actually be applied then there would be no need for best practice.
 - There was a call for more links between central and local government. Procurement at local government level was in order to develop services for individual people. There were important new areas, such as in authentication, where sharing of information and experience would be valuable.
 - LAs knew that they would get named if they got things wrong and that heads would roll. Did this suggest management by fear? The concept of sacking a civil servant was almost unknown and that was not a culture that could readily be changed. Companies bidding had to recognise this factor.
 - On the issue of whether failure to follow best practice was due to its being deliberately ignored or to lack of knowledge of it, PD said that feedback to BuyIT indicated that people knew in principle but that those in position of authority did not seem to want to pick up guidelines and follow them. There was some syndrome (eg not macho enough) that

stopped them being used. The CCTA had found that the organisations where most problems existed were those that least often asked even for the free summaries.

- CH considered that trained project managers were widely needed within government and that there also had to be in place an environment where they were obliged to follow best practice. Because of the significant lack of communication of existing excellent material, a communications programme should be introduced targeted at senior executives, especially in central government and in supply companies. It was suggested that the OGC might be able to provide project managers to be drafted in to run specific projects or alternatively that each department or agency would have its own core team. A central pool for the largest projects made sense.
 - It was agreed that even if there were no external project manager, there should be an external person looking over their shoulder from the start as part of continuous peer review. (The distinction was drawn between the programme manager - who had to be within the buying organisation - and the project manager who could be external.). The need for both good project management and peer review right from the start was emphasised by CCTA case studies which showed that many problems arose because at the earliest stages of the project the rules had not been thoroughly understood and details had not been properly thought through .
9. BN then introduced David Rose to give a European perspective on the issue. She was particularly concerned that although DGIII were doing the work on best practice they did not seem to be in communication with DGXV who dealt with the procurement rules. This seemed to be an area in which EURIM should lobby
10. DR said that the Open Group had taken a broad view of best practice and how it could be implemented to deliver benefits. Some interesting new information and knowledge had emerged. They had a vision that European organisations should aspire to best of breed practices. Under the PROBE project, they aimed to provide a body of best practice and a database against which performance could be measured and to provide training and networking opportunities. The main driver, he said, was leadership since co-operation was needed within a department to achieve the right results.

Their initial support from DGIII was for work on the procurement of open systems but this had since been widened out to cover ICT generally. They had received over Euro2000,000 in cash plus matched funding. The Open Group had expanded into involving commercial people as well and bringing purchasers and suppliers together.

They had found that some practices were actually harmful when examined in detail and had sought to find which ones would be effective as benchmarks. They were collecting case studies to be available on-line. The project had a predominantly North European flavour, but they now had a partner in Greece.

Problems elsewhere were the same as in the UK, and implementation difficulties were very similar. They had to cope with the same attitudes.

A wide variety of organisations shared the common theme that they wanted to do better and were willing to put something in to achieve that, but they often found it difficult to

know where to start. PROBE provided a guide. It encouraged best practices that were precise, validated in practice and which made an impact on organisations. They also had to be easily accessible.

They had tried to edit together different sets of codes into a single set of best practices. At the front end - project management, acquisition strategy, etc - there were plenty of best practices. There were less, however, on implementation and almost none on training. People liked to do the thinking when the project started, but were less eager later on. They had looked at the practices which helped the different functions within procurement work together. These had been tested on case studies which measured the results. The results had been published in a book organised by the type of problems they solved. All were cross-referenced back to original sources. Their aim was to add value to existing best practices, not to confuse the marketplace. The case studies showed how managers and leaders had broken down barriers in order to implement the ideas. The practices that achieved most were those that improved the quality of the process. Increased supplier confidence was linked closely to a willingness to drop prices. The most effective best practices were:

- Identifying what training was required at the beginning.
- Identifying and analysing failures - it was difficult to find a climate where people were willing to bring shortcomings out into the open.

They were determined that whatever came out of the project should be of industrial strength, so benchmarking in PROBE was based on the ISO standard. It was scaleable from a back-of-envelope checklist to a full military specification. It was a PC based tool run with a facilitator and scores were made against a number of attributes. The program took one hour or longer to work through and produced results comparing the project under test with perfection or other peer groups.

Tools for getting different groups to work together must, he said, be neutral and non-threatening. The public sector tended to be strong on definition but weak on delivery. Problem-solving case studies, showing measurable results and lists of “dos and don’ts” would go on-line in April. He commented that they had found no examples of mandated central procurement that actually worked.

The project had funding for a further 18 months during which time they intended to draw together what was happening in various countries. It provided an opportunity to examine the issues on a European wide basis. There was an opportunity for EURIM to be involved by hosting a pan-European special interest group in public sector procurement to see what practices worked well within the public sector. Case studies were usually the best way to go. There was an interesting opportunity to look at the rules and to see how people were working successfully with them as well as looking at gaps and problems. This should influence the way the Commission thought and might encourage them to put in more money.

Further information was available on their website: www.opengroup.org

11. Since there was no further time available for discussion and there were further topics meriting consideration, BN indicated that a second workshop would be held once the CSSA report was published. It would review the report and official responses to it, as well

as building on the issues raised during this meeting She then thanked everyone for their contributions to the proceedings and closed the meeting..
