

## OVERARCHING REGULATORY IMPACT ASSESSMENT

### Version control

Version	Date	Content	Author
0.1	28/2	First draft, copied to BRE for comment	BM
0.2	2/3	Includes BRE comments (mtg with Steve Mason, 1/3); revised section on costs/benefits; new section on compensatory simplification	BM
0.3	7/3	New section on competition assessment and small firms test	BM
0.31	10/3	Minor changes to small firms test; draft sent to SBS	BM
0.4	10/3	Revisions for background and competition assessment sections. Sent to BRE for comment, 10/3.	BM
0.41	10/3	Minor changes to competition assessment; draft sent to OFT	BM
0.5	15/3	Includes comments from OFT, received 13/3. Includes minor edits from BRE, received 14/3.	BM
0.6	20/3	Includes comments from SBS, received 20/3.	BM

### 1. TITLE

Transformational Government

### 2. PURPOSE AND INTENDED EFFECT OF THE MEASURES

#### Objective

The overall objective of *Transformational Government* is to transform the delivery of public services using technology and through greater focus upon the customer's perspective

The vision will require three key transformations:

"(1) Services enabled by ICT must be designed around the citizen or business – and not the provider - to improve the customer experience, to reduce duplication, to achieve important social policy outcomes and to improve the economic climate for British business.

(2) Government must move to a shared services culture – in the front-office, in the back-office, in information and in infrastructure – and so release efficiency potential by eliminating duplication and adopting best practice.

(3) There must be broadening and deepening of government's professionalism in terms of the planning, delivery, management and governance of IT-enabled change. This will result in more successful outcomes; fewer, costly delivery errors; and increase the confidence citizens have for their governments at all levels."<sup>1</sup>

#### Background

*Transformational Government: Enabled by Technology*<sup>2</sup> was published in November 2005 and an initial regulatory impact assessment (RIA) was produced<sup>3</sup>.

<sup>1</sup> *Transformational Government*, p. 7

<sup>2</sup> See [http://www.cio.gov.uk/transformational\\_government/strategy/](http://www.cio.gov.uk/transformational_government/strategy/)

<sup>3</sup> See <http://www.cio.gov.uk/documents/word/transgov/initial-psria.doc>

*Transformational Government* said that an implementation plan would be produced by the end of FY 2005/06.

*Transformational Government* identified obstacles to achieving the vision it set out - many of which could not be removed by individual departments but which required collective action. The implementation plan explains what the Chief Information Officer (CIO) Council and the Service Transformation Board, together with other stakeholders, have already done to remove these barriers and describes further interventions that will be made to end 2007.

*Transformational Government* was a visionary document articulating how public services are responding and adapting to technological changes and rising public expectations, building upon outstanding examples in national and local government to explain the potential for wider public services. The implementation plan is necessarily a different kind of document to the strategy. It is about more prosaic and workmanlike allocation of tasks to create the environment for a government that can transform itself. It is about preparation and planning, building capacity internally and externally, joining up and starting to turn towards a focus on customers rather than public service providers.

#### *Purpose and scope of this RIA*

The purpose of this RIA is to:

- (1) Update the previous RIA, reflecting progress against the strategy since November 2005.
- (2) Identify where RIAs are required arising from the collective actions identified in the implementation plan.
- (3) Signpost where further RIAs may be required as the implementation process continues.

The Annex to this RIA contains a table showing, for each workstream in the strategy, an assessment of whether an RIA is required, setting out either the regulatory impact or the reason why no RIA is required.

Specifically outside the scope of this RIA are the impact of major change programmes already underway in the public sector, such as *Connecting for Health*; reform of the Criminal Justice System; the *Harnessing Technology* strategy in Education; the Local e-Gov programme; modernisation of the Defence Information Infrastructure and the *Digital Strategy* programme. Responsibility for RIAs for these programmes lies with the sponsoring department.

#### *Context*

The public sector spends some £14 billion per annum on major IT systems. This expenditure is in part governed by the individual members of the CIO<sup>4</sup> Council, comprising representatives from central departments and local government. The CIO Council met for the first time in January 2005 and identified a requirement for a strategic approach to the use of ICT in government. This was communicated to the Prime Minister who on 7 March commissioned from Ian Watmore, the Government's Chief Information Officer, a strategy for 'delivering modern services'.

*Transformational Government* is firmly linked to two major strategic change

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<sup>4</sup> See <http://www.cio.gov.uk/>

programmes: the Comprehensive Spending Review<sup>5</sup> and the Capability Review<sup>6</sup>. The Cabinet Office on behalf of the CIO Council is working closely with HM Treasury to ensure that the potential of *Transformational Government* is realised in the Comprehensive Spending Review and that proposals for expenditure are consistent with the strategy. The Capability Reviews are taking place under the direction of the Head of the Prime Minister's Delivery Unit.

The spending review process will not conclude until July 2007, and therefore the full costing of the actions arising from *Transformational Government* cannot be assessed at this stage.

Departments will be producing their own action plans to implement the principles of *Transformational Government*, and will be reflecting these in their proposals in the Comprehensive Spending Review. Each local authority will be reflecting these principles in its annual Community Plan for service improvement and delivery.

### *Responsibility*

A number of bodies have been set up to provide the leadership and governance required to make *Transformational Government* happen:

- (1) At a political level PSX(E), chaired by the Chief Secretary, owns the Transformational Government strategy as a whole and provides coordination and direction across government. It regularly reviews progress on implementation, agrees collective policies and standards, and can authorise exceptions if necessary. Within the strategy the individual issues of data sharing and of identity cards are handled by specific Ministerial groups.
- (2) At a business level, the CIO Council, Service Transformation Board and Pan-Government Shared Services Board provide the mechanisms for senior officials to agree common priorities and to exploit existing good practice for the widest benefit.
- (3) Technical leadership is being provided by the CTO Council (on technical standards, policy and architecture) and the Common Infrastructure Board (on the delivery and management of agreed elements of common technical infrastructure).

These leadership and governance bodies will meet regularly throughout 2006 and 2007, creating working groups as required to address specific issues.

Additionally, while departmental CIOs will be responsible for their own programmes of work (and will produce RIAs as appropriate) and for personal leadership for the IT profession within their departments, the following roles will provide leadership for specific aspects of *Transformational Government*.

- (1) The Head of the Prime Minister's Delivery Unit leads the drive to deliver the Prime Minister's top public service priorities. He continues to have managerial responsibility for the eGovernment Unit and is overseeing the appointment of his successor as Government CIO, who will report to him.
- (2) The Government CIO will be responsible for leading, facilitating and supporting the CIO Council and Service Transformation Board in delivering the strategy. The Government CIO is also the Head of the IT Profession in government, providing leadership and guidance for the Government IT community.

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<sup>5</sup> See [http://www.hm-treasury.gov.uk/spending\\_review/spend\\_csr07/spend\\_csr07\\_index.cfm](http://www.hm-treasury.gov.uk/spending_review/spend_csr07/spend_csr07_index.cfm)

<sup>6</sup> See <http://www.civilservice.gov.uk/reform/capabilities/index.asp>

- (3) The Shared Services Director in the Cabinet Office is responsible for an assessment of the supplier market for Shared Services and for creating a market strategy. Using the market strategy, the Cabinet Office is now developing, with the Office of Government Commerce, procurement principles and the strategy for launch in April 2006.
- (4) The Central Sponsor for Information Assurance provides a central focus for information assurance in promoting the understanding that it is essential for government and business alike to maintain reliable, secure and resilient national information systems.

Overall progress on *Transformational Government* will be reported annually, as set out in the strategy itself. The first annual report will be made before the end of 2006.

### **Rationale for government intervention**

In the past, IT expenditure has not been co-ordinated across the public sector, nor is there any encouragement to departments or individuals to co-ordinate. This is evident in the state of technologically-enabled services across Whitehall and beyond; in the take-up statistics for e-government; and in public satisfaction measures.

There is a general failure across the public sector to design customer-friendly services. Isolated examples of excellent services exist, serving to highlight those services that are designed around older delivery models, thus relying on the assumption that services must fundamentally be paper-based and face-to-face because service users do not have access to the telephone or the internet.

The overall lack of co-ordination leads to missed opportunities for sharing of information, corporate services, and delivery systems and outlets. Opportunities to save and/or to build better services are lost because public sector bodies act alone, leading to massive duplication of effort and expense.

Well-publicised failures in technologically-enabled services stem in part from this design failure, exacerbated by the lack of a formal IT profession within the public sector, despite the existence of some 50 000 staff working in IT professional roles. Supplier management and project delivery are also impacted by this lack of a formal, recognised group.

The vision set out in the strategy is about using technology better to deliver core public services to have an impact on people's daily lives: getting better public services, such as health, education and pensions; benefiting communities by giving front line workers the tools to help break cycles of crime and deprivation; and improving the economy through better regulation and leaner Government.

The Government believes that technology-enabled transformation will help ensure that:

- (1) Citizens and businesses have choice and personalisation in their interactions with Government. For example in the personal accounts for the elderly described in the Government's election manifesto.
- (2) Taxpayers benefit from efficiency gains.
- (3) Businesses benefit from the better regulation and the economic pull-through of a leaner, modern public sector.
- (4) Public servants have better tools to undertake their jobs, and the opportunity to provide better service as a result.

- (5) Policy makers have a greater probability of achieving policy outcomes in practice.
- (6) Managers are able to free resources from back office to the front-line.
- (7) Citizens feel more engaged with the processes of democratic government.<sup>7</sup>

However *Transformational Government* identified obstacles to achieving the vision it set out – many of which could not be removed by individual departments but which required collective action. So the implementation plan explains what the CIO Council and the Service Transformation Board, together with other stakeholders, have already done to remove these barriers and describes further actions that will be made in the critical mobilisation between now and the end of 2007.

### 3. CONSULTATION

*Transformational Government* itself builds upon and was informed by major change programmes already underway in the public sector, such as *Connecting for Health*; reform of the Criminal Justice System; the *Harnessing Technology* strategy in Education; the Local e-Gov programme; modernisation of the Defence Information Infrastructure and the *Digital Strategy* programme. It was the product of collaborative working in both the CIO Council and the Service Transformation Board, with comment and advice sought from a wide range of bodies in the public, private and third sectors.

Following publication, comment on *Transformational Government* was invited and we are grateful to those who responded. 124 responses were received in total, largely from commercial organisations (e.g. technology companies, telecommunications companies, management consultancies, legal firms), public sector bodies (e.g. agencies concerned with information or technology, several local authorities), and representative bodies (e.g. trade associations, professional groups). We also received responses from individuals and pressure groups.

The main areas discussed were:

- (1) Data Sharing and Identity Management, including issues of privacy, trust, and the use of identity cards.
- (2) Practical implementation, recognising that the content was good, but what about the process of implementation and the skills and capacity required to support the delivery of the strategy?
- (3) The broader change/reform agenda, including the importance of clear vision, strong leadership and robust business change model. Technology should not be as a sole driver for change but as an enabler, driven by need.
- (4) Customer Focus and the need to keep this at the fore; recognising that customers are 'complex' and there is a need for good 'customer intelligence' to drive policy and service delivery.
- (5) The importance of communication and consultation with key stakeholders (e.g. the respondents identified above) for the success of the strategy.
- (6) Making the most of lessons learnt and of sharing best practice widely.

Consultation and stakeholder engagement on specific actions within the strategy include:

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<sup>7</sup> *Transformational Government*, pp 3-4.

- (1) Shared services – market briefing events with potential suppliers, and concept viability sessions facilitated by the Intellect, the trade association for the UK hi-tech industry.
- (2) The work of customer group directors includes coordination with voluntary sector bodies.
- (3) Discussion of technical issues with appropriate professional bodies, such as Socitm.
- (4) Meetings with major suppliers of IT to UK Government, to develop common assessment frameworks with which to evaluate both suppliers and customers.
- (5) Road shows and other communications events to reach IT professionals across government.
- (6) The Cabinet Office has commissioned a discussion document to explore the themes in the strategy from a local government perspective. The discussion document will be used at events across the country to promote wider debate in the local authority community.

#### **4. OPTIONS**

##### **Options for achieving the policy objective**

General options for implementation of the strategy are:

##### *Option A: Implement strategy*

This option is to implement the strategy in full. This has been agreed by the CIO Council.

(NB. The detailed implementation plan reflects comments received during the consultation period, and continuing discussions with stakeholders.)

##### *Option B: 'Piecemeal implementation'*

The strategy contains over forty actions, within nineteen work streams across all three transformations.

Some aspects of the strategy could be implemented piecemeal. For example, the professionalism strand could be implemented separately from the remainder, as could the strategy for working with suppliers. Other elements, such as the shared services section, rely too heavily on other parts (e.g. data sharing) to be implemented in isolation. There is a close relationship between the information assurance, identity management, information management, data sharing and technical standards and architecture work strands.

##### *Option C: 'Do Nothing'*

This would mean non-intervention from the centre of government. Public services will continue to be delivered piecemeal and without co-ordination by individual departments and local authorities. The public sector would continue to need significant investment in the replacement of legacy systems and in funding stand-alone new projects.

##### **Risks**

### *Option A: Implement strategy*

The implementation plan was deliberately written as a short, manageable document and not as a programme management tool. Therefore, it does not contain a risk register.

The key risks to the strategy include:

- (1) Resourcing – the availability of investment and other funding to implement key proposals.
- (2) Supplier capacity and capability – to deliver what is required, to time, cost and quality.
- (3) Public trust – loss of trust in online services will mean that services are underused and both service improvement and efficiency gains not realised.
- (4) Leadership – strong guidance (political, technical and business) from the centre of government is required to make multiple departments/authorities comply with new standards and policies.
- (5) Pace of technological change – the strategy remain flexible and adaptable.
- (6) Failure of a key project or programme – reducing the credibility of the overall programme.

### *Option B: 'Piecemeal implementation'*

The main risk of piecemeal implementation is that whole system reform cannot by definition be attempted in parts, and that therefore in attempting part rather than full transformation, the full potential of *Transformational Government* is not achieved.

The risks identified for Option A also apply.

### *Option C: 'Do Nothing'*

The main risk of non-intervention is that significant reform opportunities will be lost. A structural gap will open up between those who have transformed service delivery businesses using technology (the mainstream private sector, pockets of excellence in the public services) and the rest (the bulk of public services). This would erode citizen and business confidence in public services. For public sector staff, this would also mean a continuation of the status quo.

There is also the risk of continued high profile IT project failures if no action is taken, resulting in wasted time and money, and reputation damage for both government and IT suppliers.

## **5. COSTS AND BENEFITS**

### **Option A: Implement strategy**

A detailed review of the benefits and costs of *Transformational Government* is included as an Annex to this RIA. This is an analysis against the nineteen workstreams identified in the strategy.

#### ***Benefits***

The primary sectors and groups affected by *Transformational Government*, and a summary of the benefits to them, are provided below.

### *Public*

A series of documents have also been created by departments outlining the potential outcomes of the strategy, described in terms of the benefit to the citizen. See [http://www.cio.gov.uk/transformational\\_government/examples.asp](http://www.cio.gov.uk/transformational_government/examples.asp) .

The public will benefit from customer-focussed services, offering them choice and personalisation in their dealings with Government. Difficult processes will take less time, requiring information to be given only once. Access to services online will increasingly be through a single portal, Directgov. Citizens will feel greater security at home and overseas, because there will be improved joining-up between important IT programmes such as eBorders, ID cards and the Criminal Justice IT programme.

Tax payers will benefit from efficiency gains brought from reduced duplication and greater sharing of technology, information and offices. Automating processes can generate significant benefits; for example, the DVLA's Bar-coding all Relicensing Transactions (BART) project (live since August 2004) has moved over 40 million transactions from paper to electronic format, with a 85% reduction in error rates and a reduction in Post Office transaction charges

### *Business*

Businesses benefit from better regulation and the economic pull-through of a leaner, modern public sector. Complying with regulations will be simpler and interactions with government will be less time-consuming. Access to services online will increasingly be through a single portal, Business Link.

An example of the policies developed to support business include the "whole farm approach" being implemented by the Department for the Environment, Food and Rural Affairs (Defra). This programme brings together in one place all those services for farmers provided by Defra and its agencies (including the Food Standards Agency, the Rural Payments Agency, the Health and Safety Executive and the Environment Agency). The Whole Farm Approach portal will provide tools that help farmers to assess their farms' strengths and weaknesses, identify and evaluate risks and find ways to mitigate the impact of these on their business. This will help encourage a smarter approach to regulation, supporting the farmer in meeting regulations, reducing burdens on business, and facilitating a 'risk-based' approach to inspections.

### *Suppliers of IT services*

Government will become a better manager of IT projects. The IT industry will benefit from a better profile due to more successful projects in the public sector.

### *Public servants*

Frontline staff will:

- (1) Have the tools they need to do their job and be empowered to take decisions .
- (2) Be confident that the system will deliver the service they have promised to the customer and electronically track cases as they move through.

- (3) Verify someone's entitlement without having to examine paper identity documents or paper reports.
- (4) Spend time with the more challenging and rewarding cases now that there is less manual processing and data entry to do.
- (5) Expect automatic provision of basic customer personal information by the system.

Managers will be able to free resources from the back office to the front-line. As more customers self-serve or use intermediaries, there will be a reduction in the burden of basic processing work on frontline staff

Policy makers have a greater probability of achieving policy outcomes in practice because services are designed intelligently involving input from formally recognised IT professionals. Project delivery and supplier management are improved.

IT professionals will have a new, higher status and access to formal training programmes. They will deliver more successful projects.

### **Costs**

Detailed cost information for the implementation of *Transformational Government* is not being collected centrally. This is because it is not meaningful to add up the cost of multiple programmes or to isolate the IT elements from wider business-change programmes.

Information on the cost of specific activities will be generated in a number of ways:

- (1) As detailed project plans are prepared for each workstream, business cases will be developed to justify a range of implementation decisions.
- (2) The Comprehensive Spending Review will determine what budgets are available for investment in major IT-enabled change programmes.

At a summary level it is not the intention of *Transformational Government* to raise the Government's annual spend on IT; rather, it is intended to obtain better value for money from existing budgets. The strategy envisages unlocking around £1.4 billion (10% of the current spend on technology) from the current annual spend on legacy systems which can be released to new technology enabled reforms in public services.

The Comprehensive Spending Review process will conclude in July 2007, and a clearer picture of the cost of key actions arising from *Transformational Government* will be available at that stage.

A 2004 survey by the Federation of Small Businesses found that 80% of its members had internet access, and that the level varied across sectors. The cost nationally of the other 20% of firms investing in the necessary IT could be up to £860m (860,000 firms<sup>8</sup>, times £1000 for a PC and other costs), although in practice there are other ways of accessing the internet (e.g. via an agent or adviser, or at a public library).

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<sup>8</sup> Source – Small Business Service

## **Option B: 'Piecemeal implementation'**

### ***Benefits***

Piecemeal development could deliver many of the benefits identified for Option A. However, it would be sub-optimal in the following aspects:

- (1) Joined up service delivery – without work on technical infrastructure and data sharing, it will be difficult to deliver citizen and business centred services.
- (2) Efficiency savings from economies of scale – there are multiple actions (e.g. around common infrastructure) where government acting as one can generate significant savings.
- (3) Data sharing costs – implementation of key actions will eliminate the need for data to be held in multiple places or to be transcribed between systems.
- (4) Loss of best practice and knowledge sharing – leading to unnecessary duplication of effort.

### ***Costs***

The total cost of this option may be lower because specific initiatives or projects are not delivered.

However, value for money is likely to be less because spending would not be coordinated and because of the loss of benefits identified above.

## **Option C: 'Do Nothing'**

### ***Benefits***

Doing nothing has the following benefits:

- (1) There would be no change management challenge for departments and authorities arising from the strategy.
- (2) There would be no risk of disruption to services arising from the implementation of new IT systems.
- (3) There would be no need to invest staff time and other resources in meetings and other coordination activity.

### ***Costs***

Government IT spend would continue at present levels but IT systems would increasingly fail to meet the needs of modern government and the rising expectations of customers.

The most important costs of this option are chiefly missed opportunities:

- (1) Citizens and businesses will not have choice and personalisation in their interactions with Government.
- (2) Taxpayers will not benefit from efficiency gains.
- (3) Businesses will not benefit from the better regulation and the economic pull-through of a leaner, modern public sector.
- (4) Public servants will not have better tools to undertake their jobs, and the opportunity to provide better service as a result.

- (5) Policy makers have a lower probability of achieving policy outcomes in practice.
- (6) Managers are less able to free resources from back office to the front-line.
- (7) Citizens feel less engaged with the processes of democratic government.

The problems with current systems identified in *Transformational Government*<sup>9</sup> would persist:

- (1) Many systems and processes are still paper-based and staff-intensive. The underlying assumption is that customers will fill in forms and that staff will process them by routine rather than by risk-managed exception. Telephone access, customer access over the web and other improvements have sometimes been grafted onto this base. This locks in high costs and difficulty in meeting changing customer or policy requirements. Choice is costly and slow to implement.
- (2) Many systems are structured around the "product" or the underlying legislation rather than the customer (sometimes because, at the time, each system was big or difficult enough to do by itself). Often the customer experience is not joined up, especially when it crosses organisational boundaries.
- (3) Many systems were designed as islands, with their own data, infrastructure and security and identity procedures. This means that it is difficult to work with other parts of government or the voluntary and community sector to leverage each other's capabilities and delivery channels. It also leads to customer frustration, duplication of effort (for instance on customer change of address) and failure to make timely interventions, as the Bichard Inquiry showed. Choice requires services to be able to talk to each other.

## 6. COMPENSATORY SIMPLIFICATION

The Government is undertaking a radical new agenda to measure, simplify and reduce burdens placed on business, charities and the voluntary sector, and front-line staff. Overall, *Transformational Government* is a simplification proposal, for example:

- (1) It is the intention to design services around the customer, making them easier to understand and delivering multiple services from a single point. The whole farm approach programme described above is an example.
- (2) Joined-up service delivery will highlight where existing regulations overlap, allowing these to be removed.
- (3) New approaches to sharing data and information will simplify its collection; customer will provide data once and it will be used many times. This will make it quicker and easier to clarify errors and omissions.
- (4) New controls over data and information sharing and authentication will raise public trust in government, increasing take-up of new, simpler services.
- (5) It includes work to remove the barriers to joint working across government.

## 7. SMALL FIRMS IMPACT TEST

*Transformational Government* said government should develop citizen and business-centred services<sup>10</sup>: With regard to small firms, government should:

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<sup>9</sup> *Transformational Government*, pp4-5

<sup>10</sup> *Transformational Government*, pp7-9

- (1) Involve systematic engagement with customers, to get a better understanding of the service expectations of businesses.
- (2) Appoint customer group directors, one of which may be for small businesses.
- (3) Develop modern channels for business access to services, with an appropriate, efficient choice of consistent entry points and with seamless handovers across the channels.
- (4) Rationalise its web presence, with information and self-service transactions converging on Business Link (<http://www.businesslink.gov.uk>).

The Business Link service is a crucial part of the government's campaign to promote enterprise and to make the UK the best place in the world to start and grow a business. Rather than providing all the advice and help itself, it fast-tracks customers to the expert help they need. Business Link is available locally and quality assured regionally to clear national standards. It is primarily funded by the Department of Trade and Industry, supported by a number of other government departments, agencies and local authorities. (Equivalent services operate in the Devolved Administrations: Business Eye in Wales, Business Gateway and Highlands and Islands Enterprise in Scotland, and Invest Northern Ireland.) Advice to business is provided through a range of inter-linked channels. For example, from the web it is possible to phone a central number or identify a local office and request a visit or ring-back from an adviser.

*Transformational Government* will deliver benefits to all businesses. Small firms will benefit from cheaper and more responsive service delivery, all located in one place. Complying with regulations will be simpler and interactions with government will be less time-consuming. These measures will not disadvantage small firms, relative to larger firms.

Cabinet Office discussions with the Federation of Small Businesses and the Small Business Service (part of the Department for Trade and Industry) raised the issue that computer literacy is poor in many small firms, and that not all small businesses wish to have or can afford internet access. This would need to be considered in the design of any new services (i.e. paper and phone continue to be effective access channels for some groups) and before any decision was taken, for example, to compel business to interact with government online.

When *Transformational Government* was published, comments were invited over a three month consultation period. In its response, the Confederation of British Industry made no specific requests for the strategy to address the needs of small firms, although it did note that, "To ensure users understand the benefits of technology they will need to be engaged from the earliest stage. Consultation is vital in determining which access channels best suit user needs." Responsibility for including small firms in consultation lies with those departments delivering specific services (or with the customer group director for small businesses, if appointed).

Small firms should not be materially affected by the shared services or professionalism transformations. Shared services contracts will be offered via open competition – some existing contracts held by smaller firms will be aggregated into larger contracts, but firms are free to form partnerships as appropriate if greater scale is required to win the larger contract. The supplier management initiative is unlikely to affect small firms for many years, if at all, because it is targeted at large IT suppliers and is being rolled out in stages starting with the largest suppliers. The wider professionalism agenda may provide some opportunities for small firms, for

example, to provide IT training to government, but is otherwise unlikely to have an impact.

The information in this section was prepared after guidance from the Better Regulation Team at the Small Business Service, using its 'Small firms impact test guidance for policy makers' document.

## **8. COMPETITION ASSESSMENT**

Increased online delivery of services to and from government should remove barriers to entry; the intention is to increase market capacity and competition, and so deliver better quality services for citizens and business, and better value for money for the taxpayer.

The creation of shared service centres will be a significant business opportunity, and will be established using standard procurement processes, open to all. A government-centric shared services market does not exist. Work in this area seeks to create a market that facilitates sharing across government. Key market players have been identified, and communications with the market established through monthly Cabinet Office market briefings<sup>11</sup> and thought leadership workshops. In addition, Intellect<sup>12</sup> has coordinated Concept Viability sessions to allow private sector companies to test the Government's proposals – this has provided valuable access to a wide network of potential suppliers and solicited some useful feedback. An assessment of the market and a market strategy have been completed. Using the market strategy, the Cabinet Office is now developing, with the Office of Government Commerce, procurement principles and a procurement strategy for launch by November 2006.

Recent academic studies have identified a negative correlation between a strong IT industry and government IT performance<sup>13</sup>, and noted the dominance of a few suppliers in the UK market. In 2000-2001, IT spend by central government on just five suppliers exceeded 80%<sup>14</sup>; the Office of Government Commerce now estimates this figure is now fourteen suppliers, and its work to deliver *Transformational Government* will focus on further growing the capacity of the IT supply market and reducing the government's reliance on a limited number of companies.

The supplier management initiative will have the greatest impact on business; it should improve project outcomes and increase competition. The Cabinet Office and the Office of Government Commerce plan that the common assessment framework will be gradually widened to (eventually) include the performance of all departments and all IT suppliers, but participation will remain voluntary for all parties. Smaller suppliers will be encouraged to bid for government work individually and in partnership with larger suppliers. Benchmarking will be part of the exercise, but there is no intention to require departments or firms to publish this information.

The information in this section was prepared after guidance from the Regulatory Review Team at the Office of Fair Trading, using its draft competition filter. The

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<sup>11</sup> For details, see [http://www.cio.gov.uk/shared\\_services/events/index.asp](http://www.cio.gov.uk/shared_services/events/index.asp)

<sup>12</sup> Intellect is the trade association for the UK hi-tech industry, see <http://www.intellectuk.org/>

<sup>13</sup> Government IT Performance and the Power of the IT Industry: A Cross-National Analysis, by Patrick Dunleavy, Helen Margetts, et al, September 2004, see <http://www.governmentontheweb.org/downloads/papers/Government-IT-Performance.pdf>

<sup>14</sup> Government IT Performance and the Power of the IT Industry: A Cross-National Analysis, by Patrick Dunleavy, Helen Margetts, et al, September 2004, page 14

Office of Fair Trading identified the following areas where competition concerns may arise, and suggested that the Cabinet Office monitor implementation activities accordingly:

- (1) Standard setting: this may need to be carefully developed and implemented to ensure that the standard is open and achievable and that particular suppliers are therefore not discriminated against. In particular, participation in any standards-setting process should be non-discriminatory.
- (2) Interoperability: where common infrastructure is used, this may need to ensure that access and interaction that is required by suppliers is achievable and non-discriminatory (e.g. where a product needs to interoperate in some way with the common infrastructure).
- (3) Government interaction with markets: some of the proposals are suggestive of aggregated purchasing (e.g. Shared Services, Portfolio Management and Supplier Management) – while this may create benefits to the buyer (e.g. efficiencies) government needs to ensure that the procurement process remains open and non-discriminatory (likely achieved through procurement and tendering rules). It is also worth noting that the award of long-term or exclusive contracts may raise more competition concerns than those contracts that are of a short duration or non-exclusive.
- (4) Barriers to entry: may need to consider whether any of the various initiatives increase barriers to entry for new entrants (e.g. focus of the Competency and Skills Frameworks and the extent to which the skills are generic or transferable).
- (5) Data sharing: there is generally no suggestion that data sharing may be between competitors in any way (it is primarily in relation to sharing of customer data as part of improved service delivery) so there should not be any potential impact on competition. However, access to data should be considered carefully where such access is necessary in order to supply a particular product or service<sup>15</sup>.
- (6) Supplier Management: particularly in relation to the performance assessment of the largest IT suppliers to government, any resulting list of approved suppliers should be reviewed regularly so as to ensure that such a list does not act as a barrier to new entry.

## **9. ENFORCEMENT, SANCTIONS AND MONITORING**

It is not intended that the strategy require the monitoring of specific targets. Rather, the CIO Council will take collective responsibility for the delivery of results.

In the interest of keeping the burden of performance monitoring to a minimum, efforts will be made to use existing mechanisms, particularly some of HM Treasury's mechanisms for monitoring Gershon recommendations, and the Office of Government Commerce's reporting mechanisms for monitoring projects.

Where specific enforcement or sanction activity is required (e.g. to ensure compliance with new technical or service standards) this will be addressed in the relevant RIAs and not in this overarching document.

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<sup>15</sup> Particularly in the light of the *ATTHEACES LTD & ANOR v BRITISH HORSERACING BOARD & ANOR* (2005) [2005] EWHC 3015 (Ch) decision, which held that data can be deemed as an essential facility in certain circumstances.

## 10. IMPLEMENTATION AND ACTION PLAN

The timetable of change within the strategy is:

*"2005 & 2006* The current volume of change is stretching the capacity and capability of the government teams and their suppliers to deliver. Major new programmes are already in the pipeline, such as the Olympics, the Census and identity cards. So the *next eighteen months* must focus on:

- (1) Delivering the massive programmes of change commissioned under the last spending review and already underway, including Connecting for Health, reform of the Criminal Justice System, the Harnessing Technology strategy in education and modernisation of the Defence Information Infrastructure.
- (2) Driving the Connecting Britain – the Digital Strategy programme (of which this strategy is a part) to tackle overall issues of digital inclusion and service provision.
- (3) Mobilising the professionalism agenda – not least so that early action can help assure delivery of the current programme.
- (4) Putting in place the key roles and structures to lead the transformations needed beyond 2006.
- (5) Using the Comprehensive Spending Review to challenge existing delivery models and set clear plans and targets for improving services and realising efficiency benefits through a citizen-centric, shared services approach.
- (6) Working with government and public services at all levels – central government, devolved administrations, local government and other public services – to identify areas of common purpose and opportunities for specific shared actions.

Between *2007 and 2011* the priority for technology investment and business change must be transforming delivery into public services centred round citizens and businesses, and transforming support into a shared services framework. During this period it will also be important to realise the financial and service benefits of current and planned investments. The goal should be to have made the key changes, to have embedded the new cultures, and to have made the process irreversible, by 2011.

*Beyond 2011* should be a period of further radical change in the delivery of public services, enabled by technology. The cycle of technological advancement is rapid and hard to predict. But if the broad themes of this strategy over the next five years are achieved in practice, strong foundations will be in place. In particular:

- (1) The focus on delivery and professionalism will have generated confidence in government's ability to transform itself in radical ways.
- (2) The switchover to new channels, supported by common infrastructure and the digital home, will enable radical new service delivery options to be implemented.
- (3) Some of the newer technologies today will be mainstream by 2011 and the time will be right to roll out their widespread exploitation.
- (4) The culture of government will have changed to one which embraces – rather than shuns – sharing, which will continue to breakdown the silos perceived today.
- (5) The market and other governments will have set new citizen expectations and created new opportunities for government in the UK to exploit."<sup>16</sup>

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<sup>16</sup> *Transformational Government*, pp 18-19.

The implementation plan published in March 2006 covers the first two years – to end-2007. An annual report on progress against the strategy will be published every November.

Individual work streams have developed more detailed project plans.

## **11. POST-IMPLEMENTATION REVIEW**

As described in the previous section, *Transformational Government* is a long term programme of change.

There will be post-implementation review of individual projects.

Ongoing review of the strategy will be through the leadership arrangements described in the *Background* section above.

## **12. RECOMMENDATION**

It is recommended that Option A, full implementation of the proposals detailed in this RIA, be pursued.

## **13. DECLARATION AND PUBLICATION**

I have read the Regulatory Impact Assessment and am satisfied that the benefits justify the costs.

**Jim Murphy MP**  
**Parliamentary Secretary**  
**Cabinet Office**

**[DATE]** March 2006

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**Annex to RIA for *Transformational Government***

**Table 1 – Citizen and Business Centred Services**

<b>Measure</b>	<b>Key benefits of preferred option</b>	<b>Costs</b>	<b>RIA required?</b>
Systematic engagement	<p>Better public services, aligned with customer needs, arising from:</p> <ul style="list-style-type: none"> <li>• Bringing a strong and reliable customer voice into the design of individual services</li> <li>• Getting a better understanding of the service expectations of citizens, businesses and public servants.</li> </ul>	<p>Costs may include:</p> <ul style="list-style-type: none"> <li>• Changes to existing research methods to align with best practice</li> <li>• Departments will be encouraged to do customer insight research if they do not already</li> </ul> <p>However, focus is on combining existing research to create greater insight. Additional research effort would be voluntary. There will be no costs to citizens or business.</p>	<p>In general, no – this activity includes a mix of guidance on good practice, the commissioning of additional research and informal monitoring of “what works”. However, an RIA will be required for the Government Social Research Unit’s publication of standards to ensure the consistency and comparability of customer insight research carried out by individual public service providers.</p>
Customer Group Directors	<p>Better public services, aligned with needs of specific customer groups. Specifically, services will be joined up and data will be captured once and used many times e.g. as in the ‘whole farm approach’ that will allow farmers to register and receive targeted services from all relevant agencies.</p> <p>This approach will:</p> <ul style="list-style-type: none"> <li>• Reduce unnecessary regulation/bureaucracy for citizens and businesses</li> <li>• Offer citizens and businesses greater choice and personalisation in their interactions with government</li> <li>• Reduce the costs of government.</li> </ul>	<p>Costs will be determined for individual policies as these are developed.</p>	<p>Perhaps – RIAs may be required for each new policy as developed. Responsibility lies with each CGD.</p>

Measure	Key benefits of preferred option	Costs	RIA required?
Service design principles	<p>This work will improve public services by:</p> <ul style="list-style-type: none"> <li>• Promoting best practice</li> <li>• Signposting the potential of technology</li> <li>• Identifying common design and development needs</li> <li>• Challenging inconsistency or deviation from agreed standards or best practice.</li> </ul> <p>Taxpayers will benefit from efficiency gains. Managers will be able to free resources from back office to the front-line. Businesses will benefit from the better regulation and the economic pull-through of a leaner, modern public sector.</p>	<p>Costs may include:</p> <ul style="list-style-type: none"> <li>• Changes to existing service designs to align with best practice</li> <li>• Departments will be encouraged to do more service design activity than they do already</li> </ul> <p>However, the intention is to redeploy existing resources to better effect and not to increase costs.</p> <p>Costs citizens and business will be determined for individual policies as these are developed. Services may be delivered in new ways (with an impact on users) but the net impact should be positive, with any costs/inconvenience outweighed by better services.</p>	<p>Perhaps – the Service transformation Board will issue guidance, but RIAs will be responsibility of implementing departments/authorities (because the impact of implementation will be determined by local circumstances).</p>
Modern channels	<p>This work will improve public services by:</p> <ul style="list-style-type: none"> <li>• Designing services around new channels</li> <li>• Supporting innovation in the use of emerging technologies to deliver public services</li> <li>• Supporting appropriate, efficient choice of consistent entry points to services, with seamless handover between the channels i.e. the quality of service will be the same from all channels, and customers will not need to repeat information if transferring, say, from internet to telephone.</li> </ul>	<p>There may be an additional cost to the creation of new channels. However, users switching from existing (more expensive) channels should reduce the net cost to public bodies (and in most cases will create savings).</p> <p>In most cases, use of new channels will be voluntary, but there may be exceptions e.g. compulsion for some groups to access services online.</p>	<p>Perhaps – for the channel convergence activity RIAs will be responsibility of implementing departments/authorities (because the impact of implementation will be determined by local circumstances). An RIA will be required if customers are compelled to go online to access services.</p>

**Table 2 – Shared Services**

<b>Measure</b>	<b>Key benefits of preferred option</b>	<b>Costs</b>	<b>RIA required?</b>
Customer service centres	Taxpayers will benefit from efficiency gains. Customers will benefit from better services delivered by larger, better, more flexible service centres e.g. longer opening hours, more services available, quicker response times.	Rationalisation of contact centres will be preceded by a detailed business case that sets out the cost of the project and the service effectiveness and efficiency gains arising.	Perhaps – the customer service centre rationalisation study may generate recommendations that require an RIA
HR, finance, other corporate services	Taxpayers will benefit from efficiency gains across the whole public sector arising from improved professionalism, standard systems and processes and effectiveness of these corporate functions. The employee experience in these functions will be enhanced. There will be indirect efficiencies from better financial, personnel, knowledge and asset management.	The development of shared services models will be preceded by detailed business cases that set out the cost of the projects and the service effectiveness and efficiency gains arising.	Yes – Spending Review 2004 mandated this activity, and it will require departments to respond. There should be an RIA for each sector plan.
Common infrastructure	Common technology will enable joined-up solutions, leverage investments and shorten the implementation timeframe of new reforms. As a result: <ul style="list-style-type: none"> <li>• Customers will get better services</li> <li>• The taxpayer will get better value for money from investment in IT</li> <li>• New services will be delivered more quickly.</li> </ul>	The development of common infrastructure will be preceded by detailed business cases that set out the cost of the projects and the service effectiveness and efficiency gains arising.	Perhaps – the Common Infrastructure Board will identify new opportunities for collaborative working, sharing ideas and lessons learned, and an RIA may be required for each product/programme developed. To be considered at the appropriate time.

Measure	Key benefits of preferred option	Costs	RIA required?
Data sharing	<p>Data sharing will allow different parts of government to communicate effectively, and to store information more effectively. This will deliver:</p> <ul style="list-style-type: none"> <li>• Joined up services for citizens and businesses</li> <li>• Efficiency savings (e.g. no need to re-enter data).</li> </ul>	<p>The development of data sharing projects will be preceded by detailed business cases that set out the cost of the projects and the service effectiveness and efficiency gains arising.</p>	<p>Yes – Cabinet committee MISC 31 will take decisions on a range of data sharing issues and an RIA will be required for each policy decision.</p>
Information management	<p>Collaborative working on issues that involve a range of government organisations, common standards and practices for information management will deliver:</p> <ul style="list-style-type: none"> <li>• Efficiency savings from the deployment of an effective range of tools to allow the most efficient use and sharing of information</li> <li>• Joined up services for citizens and businesses, with all those across government that have a legitimate need to see and use information able to access it.</li> </ul>	<p>Activities delivering efficiency savings will have no cost to the public sector.</p> <p>Activities to deliver joined up services may have some impact on the public and private sectors (e.g. IT investment or staff training to manage the convergence to new technologies), but these should be off-set by the efficiency savings arising.</p>	<p>Perhaps – an RIA may be required for each standard developed if departments/authorities are compelled to conform. Not required if compliance is voluntary.</p>

Measure	Key benefits of preferred option	Costs	RIA required?
Information assurance	<p>Systems must be secure <i>and</i> convenient for those intended to use them. This workstream delivers the following benefits:</p> <ul style="list-style-type: none"> <li>• Trust – customers will believe that their data is held securely and used appropriately. Without this, customers will not use, and so will not benefit, from improved services and efficiency savings from channel shift will not be realised</li> <li>• Risk management – confidence that current and emerging risks to security will be managed.</li> </ul>	<p>The development of information assurance projects will be preceded by detailed business cases that set out the cost of the projects and the service effectiveness and efficiency gains arising.</p>	<p>Yes – there may be cost implications arising from compliance with new information security policy guidance. Responsibility lies with the CSIA.</p>
Identity management	<p>This workstream delivers a holistic approach to identity management with the following benefits:</p> <ul style="list-style-type: none"> <li>• Certainty – suppliers will be able to provide security solutions that meet the government's requirements</li> <li>• Trust – customers will believe that their identity and related details are held securely and used appropriately. Without this, customers will not use, and so will not benefit, from improved services and efficiency savings from channel shift will not be realised</li> <li>• Risk management – confidence that current and emerging risks to identity security will be managed.</li> </ul>	<p>The development of identity management projects will be preceded by detailed business cases that set out the cost of the projects and the service effectiveness and efficiency gains arising.</p>	<p>Perhaps – various reviews and feasibility studies concerning identity management are planned, and RIAs may be required for any policy decisions arising.</p>

Measure	Key benefits of preferred option	Costs	RIA required?
Technology standards and architecture	Taxpayers will benefit from efficiency gains – by taking advantage of open standards, commercial off-the-shelf products and asset re-use, expenditure will be reduced.	Activities delivering efficiency savings will have no cost to the public sector. Activities to deliver joined up services may have some impact on the public and private sectors (e.g. IT investment or staff training to manage the convergence to new technologies), but these should be off-set by the efficiency savings arising.	Perhaps – an RIA may be required for each standard developed if departments/authorities are compelled to conform. Not required if compliance is voluntary.
Sharing culture	Changing the culture of government will deliver a wide range of benefits: <ul style="list-style-type: none"> <li>• Citizens and businesses will have more choice and personalisation in their interactions with Government.</li> <li>• Taxpayers will benefit from efficiency gains.</li> <li>• Businesses will benefit from the better regulation.</li> <li>• Policy makers will have a greater probability of achieving policy outcomes in practice.</li> </ul>	Work in this area is at an early stage, focusing on thought leadership and identifying specific quick wins, so cost information is not available.	Perhaps – various activities to reduce barriers to joint working are planned, and RIAs may be required for any policy decisions arising.

**Table 3 – Professionalism**

Measure	Key benefits of preferred option	Costs	RIA required?
Leadership and governance	<p>This work stream will deliver the consistent pressure required across the whole of government for several years to realise the vision of <i>Transformational Government</i>. The benefits include:</p> <ul style="list-style-type: none"> <li>• Clarity of direction across departments and time periods</li> <li>• Coordinated leadership</li> <li>• Effective governance arrangements</li> </ul>	Minimal – staff time.	No – this is about structures not policies.
Portfolio management	<p>This work stream will deliver better project outcomes (e.g. better services, improved efficiency) by:</p> <ul style="list-style-type: none"> <li>• Focusing management effort on high risk projects</li> <li>• Improving Government’s capacity to handle concurrent projects</li> <li>• Deploying greater standardisation in tools and approaches across projects.</li> </ul>	Minimal – staff time.	No – there will be no compulsion to use the new approach to portfolio management.
IT Profession in Government	<p>This work stream will deliver better project outcomes (e.g. better services, improved efficiency) by:</p> <ul style="list-style-type: none"> <li>• Improving the training of IT professionals, making them better able to deliver complex IT projects</li> <li>• Improving the career development of IT professionals, retaining the best staff and attracting high quality entrants.</li> </ul>	<p>There is a small team within the Cabinet Office coordinating this work. Costs to departments will be absorbed within existing HR/management development budgets. There may be additional training costs.</p>	No – for most activities participation is voluntary. However, plans are at an early stage, and may involve some compulsion (e.g. registration, monitoring of staff numbers) in the future.

<b>Measure</b>	<b>Key benefits of preferred option</b>	<b>Costs</b>	<b>RIA required?</b>
Reliable project delivery	<p>This work stream will deliver better project outcomes (e.g. better services, improved efficiency) by:</p> <ul style="list-style-type: none"> <li>• Increasing scrutiny of high risk projects</li> <li>• Providing improved tools to manage projects</li> <li>• Providing targeted support to high risk projects.</li> </ul>	<p>There is a small team within the Cabinet Office coordinating this work.</p>	<p>Perhaps – plans are at an early stage, and engagement may involve some monitoring activities.</p>
Supplier management	<p>This work stream will deliver better project outcomes (e.g. better services, improved efficiency) by:</p> <ul style="list-style-type: none"> <li>• Balancing demand and supply for key skills or services</li> <li>• Setting clear standards for supplier and customer performance</li> <li>• Standardising contracts.</li> </ul>	<p>There is a small team within the Office of Government Commerce coordinating this work.</p> <p>There may be a small cost to participating companies (at first, only the largest IT suppliers to government).</p>	<p>No – participation by departments and suppliers will be voluntary.</p>
Innovation	<p>This work stream will use new technologies and new ideas to deliver better services, better policy, better regulation, better service outcomes and/or improved efficiency.</p>	<p>There is a small team within the Cabinet Office coordinating this work.</p>	<p>No – participation will be voluntary.</p>