



# HM TREASURY

1 Horse Guards Road London SW1A 2HQ

**Rob Molan**  
**Second Treasury Officer of Accounts**

For enquiries about distribution of this and other  
DAO letters, please contact  
Mangai Rajasingham  
Tel: 020-7270-5362  
Fax: 020-7270-4311  
mangai.rajasingham@hm-treasury.x.gsi.gov.uk  
[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)  
all extant DAOs are found at <http://www.hm-treasury.gov.uk/fmra/accounting/dao/dao.htm>

Dear Accounting Officer

DAO(GEN) 16/03

17 December 2003

## CENTRAL INFRASTRUCTURE IN ELECTRONIC GOVERNMENT PROJECTS

### *Purpose of this DAO letter*

The purpose of this letter is to give guidance on realising value for money in electronic government projects. It sets out the scope of the central infrastructure maintained by the Office of the e-Envoy and outlines the potential advantages that it offers for reducing cost and enabling services across the whole of government. This guidance is intended to assist Accounting Officers in ensuring that their department's expenditure on projects to which the central infrastructure is relevant secures overall value for money for Government as a whole.

### *Action and contacts*

2. Departments are asked to bring the contents of this letter to the attention of their staff, and also to NDPBs and any other sponsored bodies for which they are responsible.
3. Enquiries should be addressed to Michael Thornton in the Workforce, Innovation and Reward team (phone 020 7270 4996: email: [michael.thornton@hm-treasury.x.gsi.gov.uk](mailto:michael.thornton@hm-treasury.x.gsi.gov.uk)).

### *Central Infrastructure*

4. The Government has developed a set of central IT platforms, funded from the Capital Modernisation Fund, for use by public sector bodies. These provide a common transaction engine (the Government Gateway), an integrated content management system (DotP) and cross-Government knowledge sharing (the Knowledge Network). The secure data centre on which these services are hosted is also available for use by public sector bodies requiring a hosting solution (the "True North" hosting service). The Office of the e-Envoy (OeE) maintains this central infrastructure. Departments will be charged for their use of this infrastructure to meet its ongoing costs.



The OeE has additional guidance on the nature of the infrastructure, which is available from [zareen.smith@e-envoy.gsi.gov.uk](mailto:zareen.smith@e-envoy.gsi.gov.uk)

5. Government Accounting notes that Accounting Officers should take account of the impact of departmental activities on others in their decisions. Accounting Officers will want to be satisfied that their department's expenditure on projects to which OeE's central infrastructure is relevant secures value for money for Government overall. In particular, Departments should consider whether the best value for money for Government in the longer term will be achieved:

- a) by integrating the Government Gateway into any solution requiring an engine for authentication and transactions (such as payments, notifications, secure mail, transmission of forms); and,
- b) by using DotP for any project requiring an integrated content management system and/or search tool.

6. Development of this infrastructure was authorised by ministers on the basis that it offered economies of scale for central Government as a whole while delivering higher quality services. Departments who adopt it are likely to benefit from lower costs, because the development costs are borne only once by government. At the same time, widespread use of the infrastructure across the public sector creates the opportunity for Government to offer joined-up electronic services to its customers, developing a common look and feel to Government and leveraging take-up of transactional services.

7. The OeE have arranged for independent benchmarking of the central infrastructure costs against private sector comparators of cost and service levels. They will therefore give any department which adopts the central infrastructure regular reassurance that the central infrastructure remains value for money over time. This will be a transparent and collectively-owned process that departments engaged in these governance structures will have a direct role in steering. As a result, departments will not be under an obligation to use market-testing mechanisms (e.g. procurement) in order to demonstrate that they have secured value for money on each project for which they use the central infrastructure. Nor is it necessary to conduct a procurement exercise prior to adoption of the central infrastructure in order to demonstrate compliance with EU procurement law – the legal basis on which the infrastructure itself has been procured allows the services which it provides (Government Gateway, DotP, Knowledge Network and True North co-location) to be used across the public sector without further procurement.

8. There may be cases where the Senior Responsible Officer for a project believes that use of the central infrastructure does not represent value for money. In such a case, they should explain their reasoning to their Accounting Officer. Given the nature of these issues, Accounting Officers will generally want to obtain the views and advice of OeE on the business case.

9. The specific factors which Departments should take into account when deciding whether or not to use the central infrastructure include:

- **Benefits to the Exchequer overall:** the OeE will provide assurance that the central infrastructure remains value for money over its lifetime through the benchmarking mechanisms described above. However, if in a specific instance the central infrastructure seems not to offer good value for money, the department should ensure that its value for money assessment takes account of:
  - the fact that, even if on an individual project one or more players in the market might be prepared to charge below the central infrastructure cost, this may not represent sufficient grounds on its own for not using central infrastructure; and,
  - the resulting fragmentation, possible cost duplication, and reduced opportunity to offer consistent and integrated services to customers across Government resulting from non-participation.
- **Business requirements:** the inability of the central infrastructure to deliver key business functionality required by a project could be one reason for not using it. There are many specialist applications where additional business functionality is essential to benefits realisation for one part of government, but where, at present, the infrastructure cannot provide them, and has no plans so to do. In such cases, it would be appropriate for Accounting Officers to assure themselves that they understand that additional functionality:
  - is both central and essential to delivery and benefits realisation; and,
  - will not be delivered on central infrastructure in the timeframe required for departmental delivery.
- **Incompatibility with existing obligations:** existing contracts may restrict departments' options to adopt the central infrastructure. In such cases, Departments should consider options for moving to central infrastructure as and when existing contracts allow.
- **Difficulties in integrating the central infrastructure with a department's existing platforms,** which cannot be resolved cost effectively.
- **Timescale:** where use of central infrastructure would prevent a department meeting a key deadline, or result in significant delay in the realisation of benefits, these timing issues should be quantified to judge whether the costs are large enough to outweigh the benefits of the central infrastructure. If they are, then the department should also consider options for subsequently moving to central infrastructure as timing allows.

- **Risk:** it is feasible that use of the central infrastructure could introduce some new risks into a delivery project. Some of these, however, will flow not from specific features of that project but from the general concept of central infrastructure itself - such as the introduction of an additional “supplier” into a delivery chain and the fact that service level agreements with the central infrastructure provider cannot be put on a contractual footing (because OeE is an agent of the Crown). In assessing risk, Accounting Officers will want to take account of the fact that experience has shown that these generic central infrastructure risks are outweighed by the ability of the central infrastructure to reduce risks, through re-use of existing, proven components and processes.

**ROB MOLAN**

Second Treasury Officer of Accounts