

ANNOUNCEMENT OF MORATORIUM ON PLANNED ICT PROJECTS, THE REVIEW OF PROJECTS AND THE ICT CONTRACT RENEGOTIATIONS

TO: Chief Information Officers, who should copy to Permanent Secretaries, Commercial Directors, PPM Board Champions, and others, as appropriate

Introduction

1. The Chancellor has announced a package of actions that set out to find £6bn of savings which included the moratorium on new spending, a project review and the renegotiation of contracts which will include ICT. This letter is part of a sequence of notifications including a letter from the PM to Cabinet, the Cabinet Secretary to Permanent Secretaries and Heads of Professions to their respective Profession leads.
2. This note provides additional details on how these activities will work in respect of ICT. It details the overall methodology and process together with your role and the role of the centre.
3. New Controls. Central government departments, agencies and NDPBs must not sign any new ICT contracts, contract extensions/modifications above a value of £1 million without specific agreement by the Treasury. This agreement will only be given following approval by the Minister for the Cabinet Office advised by the ERG. This will enable a full review of all of these projects to be undertaken.
4. Scope. The freeze applies to all contracts and projects where ICT is a key element to deliver the service or outcome. It covers all new contracts, contract amendments and extensions, pilot projects, feasibility studies and proof of concept projects above £1m in value. No new OJEU notices should be issued to imply that new ICT based contracts will be started.

The following are excluded:

- Specialist military projects provided by specialist defence contractors
- The Olympics
- ICT spend as a result of Budget tax measures
- Contracts altered as a result of the Government's renegotiation of contracts with major suppliers will not fall within the scope of this freeze simply by virtue of being renegotiated

Immediate Action

An immediate freeze on all new ICT spend above £1 million.

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This will allow time to identify projects where there is unnecessary and/or wasteful spend, or duplication and where projects have uncertain or unclear outcomes and/or delivery records.

Scope

6. **The planned moratorium** will cover all Departments, Agencies and NDPBs, and will include new expenditure on all projects, or existing contracts, where ICT is a key element to deliver the service or outcome.
7. It covers all new contracts, contract amendments and extensions, pilot projects, feasibility studies and proof of concept projects above £1m in value. No new OJEU notices should be issued that imply new ICT based contracts will be started.
8. For the scope of **the ICT project review**, all core projects should be reviewed. The objective is to ensure we review the majority (>80%) of your projects where ICT is a key element.
9. For smaller projects, we recognise that the review should take a lighter touch approach and focus on projects between £1m and £50m - using the criteria in paragraph 13 - the ERG will confirm your actions and look for any additional horizontal synergies or cost saving opportunities across government.
10. Departments should ensure this activity occurs in all of your NDPB's, Executive Agencies and other Arms Length Bodies. These reviews should be considered by departments before they are passed on to the centre.
11. Projects within the Ministry of Defence that are specialist by nature and delivered by specialist defence/ military contractors are excluded. However, where general ICT suppliers are providing civilian or administrative services to the MoD they should be included.
12. For 'protected departments' any savings that are found will be retained within the protected department - for all others savings can help contribute to the £6bn in 10/11.

Summary of ICT Project Review

13. We believe that departments are best placed to undertake the initial review. Departments understand what projects they are running, why they are running them, have access to all the pertinent project and financial data and can ascertain the impact of closure or reshaping. Therefore, departments should review all their existing ICT projects (those with a significant/ core element being ICT products, services either provided internally or externally) to ascertain if:
 - They are key to delivering a required citizen or business outcome which is consistent with government priorities.
 - They can be delivered based on their past record of keeping to time and budget. Poor cost control, scope creep, and delays all signal a project in trouble and will be strong candidates for closure.
 - They will deliver the agreed outcomes and a positive financial NPV/ROI. Significant consideration should be given to the payback period coupled with the delivery record of the project or programme. Very long payback periods together with a troubled delivery record should be prime candidates for closure.
 - The project could not be done in a different or more cost effective way - By merging with other projects or significantly reducing the scope/ complexity of

the requirements.

- It has a poor delivery record; is significantly late or over budget; too much reliance on external resource; poor articulation of benefits, or few tangible benefits.

From this review we will expect you to close projects (and therefore contracts), or keep them going, or reshape them (take some content/ requirements out, change some capability, or merge with another project).

14. We do not expect a full review of all projects. We suggest that you choose a threshold level between £1m and £5m for project spend that covers your core ICT projects that reflects the size and complexity of your organisation (around 80% of your spend).
15. When you have completed your ICT Project Review, we would like you to send us a report that details your original list of projects, the revised list of projects, the changes you have made, and the base data on your project that helped you determine your decision. Please also provide data on any ICT projects you wish to continue. We suggest that your PPM Centre of Excellence produces this information in a similar format to that required for the Major Projects Portfolio. Please email us if you require this template. Please send the data to ictmoratorium@cabinet-office.x.gsi.gov.uk
16. Sign off on what projects are to continue and what changes are to be made will be expected at Permanent Secretary/Chief Executive level.
17. At this stage the Centre will review this information and confirm your actions. We will also look horizontally at projects across Government to ascertain if there are any further opportunities for synergy or additional cost savings. Any decisions to continue or reshape projects will be of course be subject to later spending review decisions.
18. **The major projects review.** Around 80 projects above £50 million (ICT and non-ICT) will be subject to a more detailed major project review by ERG with HMT. This will inform the spending review later in the year. This review will be conducted in two tranches:
 - A validation review (3-15 June 2010) which will assess whether recently announced savings, already identified for 2010/11 from selected projects, are realisable. It is expected that around 8 groups of projects will be involved in this review. The review will also assess the impact of making the savings and the effect on overall project viability. The findings will be reflected in the Emergency Budget on 22 June 2010. ERG will be in touch with the relevant Senior Responsible Owners (SROs) and key officials of these projects this week, and
 - a more extensive Assessment Review of Projects (13 June - 31 July 2010) to look for savings beyond 2010/11. This review will assess between 30 and 40 significant projects and will conclude by the end of July. It will inform the Spending Review planned for the autumn.

The ICT project review work will feed into two overlapping phases:

19. **The projects decommissioning phase.** Clearly there will be a period of transition as projects are reshaped, people released, and contracts terminated or changed. As projects are closed/ reshaped this may free up officials who should be

used to replace interims, consultants and contractors, if their skills match. We would expect decommissioning to start as soon as practicable accepting that there is a potential linkage to the Contracts Renegotiation Phase.

20. **The contract renegotiation phase.** As we change projects, and therefore contracts, the sum of the project changes, by supplier, and the aggregate spend we have with each supplier will enable us to enter a renegotiation phase with ICT suppliers. This renegotiation team will include OGC, Departmental Commercial Directors, Chief Information officers and legal specialists. Clearly we expect this phase to pose many challenges but our starting premise is that the ICT Products and Services community have prospered well from the Public Sector over the last ten years and we wish to ensure that, as a Government, we are maximising our purchasing power, without harming the ongoing success of the ICT industry.
21. However we do not envisage this to be a one way conversation. Suppliers understandably will wish us to change some of our ways of doing business, maybe standardise/simplify/ reduce our requirements or indeed think differently about topics such as risk transfer or the way our teams are structured that drive up their costs. We will keep you updated on the outcome of these discussions.
22. After we have reviewed the projects, and renegotiated with the suppliers the moratorium will be removed either by supplier, by department or overall.

Timing

23. The moratorium starts immediately.
24. Timing is of the essence. You should complete your internal initial review of projects and submit the required information by the end of July. An authorised exception procedure is defined below and inputs will be accepted immediately. Please be prepared to provide initial views of likely outcomes to HMT in time for the 50 day budget throughout this process.
25. Our plan is to be able to remove the moratorium by the end of this financial year, at the latest. We will do our best to limit the moratorium period to as short as possible. However what will be crucial is that as we go into a single consolidated renegotiation with a supplier, we do not weaken our negotiating position by offering potentially new or extended contracts.

Exceptions Procedure for the moratorium

26. Clearly there may be situations where the introduction of the moratorium might go against our objective of finding cashable savings, or might put at risk the viability of an ICT organisation or indeed frontline citizen/business services.
27. Authorised exceptions **will only** be considered where:
 - the new spend/contract needs to be approved to achieve value for money as there will be a direct negative consequence of a delay;
 - a delay would stop or directly impact delivery of a current citizen/business facing service that is consistent with the Government's priorities;
 - the project/programme delivers a mandated legislative requirement where there is no flexibility on end date and the delay would significantly jeopardize the end delivery date;

- an SME ICT supplier might be put at risk of failure/collapse due to the delay in signing the contract and the contract represents good value for money.

We recognise that speed will be of the essence in certain situations and therefore we propose a light touch trust model. A formal written request signed off by the Permanent Secretary/Chief Executive should be emailed to ictmoratorium@cabinet-office.x.gsi.gov.uk copying your Treasury Spending Team. Simple information on the contract, the reason for the exception, the consequences of not signing, the potential increase cost to Government or impact on citizen/business together with a statement about why this needs to be an exception should suffice. In all circumstances any new contract or extension should be for the shortest time and the smallest amount of money that is possible. Departments should in the first instance contact the ERG to seek any exceptions, copying in their Treasury Spending Team. ERG will be advising Treasury Spending Teams on exceptions - all exceptions must be approved by the Minister for Cabinet Office on weekly basis.

Contact Point

28. We suggest that you nominate a single contact point for the project reviews to enable the team to talk quickly with your department and ensure communications is swift and accurate. Could you please email us your contact point, to the ICT moratorium email address.

Transparency

29. Government has stated that transparency of data and information will be a core part of its approach. For projects this may include Business Cases, Project Reports (of all types), Gateway Review/ Health Check reports, Risk registers, Minutes of Project Meetings and may apply to all projects including ICT projects. We will contact you when the approach has been agreed together with guidance on where redactions may be applied.

Dealing with ICT Suppliers Throughout This Process

30. Suppliers caught by the moratorium will naturally have a very keen interest in ensuring that the projects that they are involved with continue after this review. You should anticipate significant attention from suppliers seeking information and providing input to your deliberations. You might wish to consider your own handling strategy for funnelling contact during this period.
31. This is an excellent opportunity to work with your suppliers to take on board their views on how they would restructure the projects to fulfil the objective of finding cashable savings to the Public Sector. Please engage with your suppliers on this in a positive way.
32. **However under no circumstances should you enter a contract renegotiation, or indicate what the outcome of the review might be.** Should your suppliers indicate that they might be willing to provide some flexibility please record this and submit it with the rest of your data. If the issue/offer appears substantial please contact the Contract Renegotiation Team directly.

Presentational Issues

33. This activity will receive wide spread media coverage and significant commentary. It will impact the ICT supply market as well as public sector organisations. There will be wide coverage in the specialist ICT media and technology sections of the national press.
34. In addition, while the majority of projects caught in the moratorium will impact the large ICT suppliers there will be legitimate concern within the ICT SME community on cash flow and liquidity implications.
35. HMT and Cabinet Office Press Teams have been alerted and have handling strategies. Please pass press questions to them.

Finally

36. Whilst undoubtedly this program of change will be stretching and at times stressful, it is an outstanding opportunity to review your collective change agendas, remove the overlap and duplication, cut out unwanted projects or elements of projects and provide a substantial contribution to finding the initial £6bn of savings.

John Suffolk
Government CIO & SIRO

Nigel Smith
Chief Executive OGC

Questions and Answers

1. **Q.** Given our already extensive project oversight, procurement processes, investment boards, audit scrutiny, NAO reviews is there really any value in doing this?
 - A. The Public Sector spends in the region of £16bn pa on ICT, from design, building projects, running projects and running and maintaining the live technology services. Already where we see Government Departments coming together to share requirements, deal with the market collectively and do things once, departments are realising substantial benefits. It is already accepted that just saving £100 per annum of all PC running costs could save the Public Sector £400m pa. There is potentially a huge prize by undertaking this review.
2. **Q.** My department has recently completed a review do I really need to do this again?
 - A. The moratorium applies regardless of whether you have completed a review. If however your review can provide all of the information that is required, then please submit this information. We would not wish you to replicate a perfectly good review.
3. **Q.** My department does not recognise the concept of an ICT project as they are all business change projects are these excluded?
 - A. All projects whether they are called projects, programmes (a sequence/ series of connected projects), ICT Projects, or any other name should be included if the project uses ICT as a key element to deliver the service or outcome.
4. **Q.** My projects are well run, support Ministerial priorities, and have positive citizen/business outcomes as well as positive NPV/ROI, do I need to exclude them?
 - A. All projects, if they exceed the threshold, should be included.
5. **Q.** I have a project that is at a critical phase and I need to extend the contract. It is only slightly over the limit can I make a local decision?
 - A. Please use the exceptions process.
6. **Q.** My suppliers CEO/ Chairman/ any other VIP has threatened to go public on this breach of contract as we had implied that we would extend/ sign the new contract, should I sign to avoid public embarrassment?
 - A. If the contract/ extension or modification does not fit the exception rules politely advise the supplier(s) that the contract cannot be signed. If you feel that it does fall within the exception process, please use the exception process.
7. **Q.** My supplier has said if I do not continue with the project he will walk his team offsite immediately putting at risk citizen/business services.
 - A. Politely advise the supplier of the Government position and state that we are all working hard to complete the review so that the moratorium can be lifted. Ask them to be professional and patient. If the supplier continues to promote this position please notify the team via the email and we will see what else can be done from the centre.

8. Q. We don't really have much to do with our NDPB's, executive agencies etc, can we leave them out of this process?
- A. No, your arms length bodies should be included.
9. Q. Why are there two different processes, i.e. a more rigorous one above a value of £50m?
- A. Simply because we believe that where we are spending the largest sums of money should have the greatest scrutiny to ensure we are creating the greatest value.
- 10.Q. We have already renegotiated with our suppliers, so it doesn't make sense for them to be included in the moratorium?
- A. All suppliers are caught by the moratorium whether they have had contracts renegotiated already, or are advanced in a renegotiation.
- 11.Q. I am in the middle, or drawing to a close, a contract renegotiation should I complete this?
- A. No. You should fully document where you have got to on the renegotiation, preferably get this signed up to, or agreed, by the supplier and then pass the information onto the Contracts Renegotiation Team.