



House of Commons
Work and Pensions Committee

**Government Response
to the Committee's
Third Report into the
DWP's Management of
Information
Technology Projects**

**Second Special Report of Session
2003-04**

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Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

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The current staff team of the Committee is Philip Moon (Clerk), Mick Hillyard (Second Clerk), Maxine Hill (Committee Specialist), Djuna Thurley (Committee Specialist), Louise Whitley (Committee Assistant) and Emily Lumb (Secretary), John Kittle (Senior Office Clerk).

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First Special Report

1. The Work and Pensions Committee agreed its Third Report of Session 2003-2004 on 7 July 2004. The Report was published on 22 July 2003 as House of Commons Paper No.311.
2. We have now received in the form of a letter from the Secretary of State for Work and Pensions, the Government's Response to the Report, which is printed as an Appendix to this Special Report.

Appendix

The Government welcomes the Third Report of the Work and Pensions Select Committee, Session 2002-03, entitled Department for Work and Pensions Management of Information Technology Projects: Making IT Deliver for DWP Customers, which was published on 22 July 2004.

The Department's modernisation programme is one of the largest programmes of its kind in Europe and will result in modern, efficient services, backed up by quality Information Technology support, which respond to customers' needs. There are many examples of successful modernisation in the Department with an IT element. These include the introduction of Direct Payment as the normal method of payment, the national roll-out of Jobcentre Plus, the implementation of Pension Credit and the roll-out of personal computers to staff.

In common with other departments, the Department for Work and Pensions plans to make substantial improvements in the efficiency of its operations over the coming years. By 2008, the Department will have delivered improved and modernised services to its customers within a Departmental expenditure limit reducing in real terms. This will require substantial efficiency savings, including large scale manpower reductions. The Department's modernisation programme is fundamental to achieving this. Achieving change on this scale presents a considerable challenge and the Department very much concurs with the Committee's observations around the importance of achieving changes to both ways of working and IT. It also shares the Committee's sentiments on top quality internal expertise and top quality supplier expertise and performance if the programme of change underway is to succeed.

The Department has taken significant steps to ensure that it is able to deliver its modernisation programme successfully, and it is pleased that the Committee has cited some of these in its report. In particular, the Department is pleased that the Committee welcomes the Department's updated IS/IT Strategy. The updated Strategy aligns the Department with best practice; in particular there is now an emphasis on shorter projects and a preference for commercial off-the-shelf (COTS) packages over bespoke solutions. Alongside this, the Department has updated its IT Supply Strategy to enable it to make the most of the IT market place, and in line with HM Treasury guidance it has moved away from PFI. It aims to secure the delivery of IT services using multiple suppliers to meet business requirements and ensure value for money for the taxpayer. It introduces a

competitive environment within the Department supported by collaboration and partnership between suppliers, who bring their own unique strengths and skills while being willing to share common goals. The Department has achieved much already and is engaging with more suppliers using currently available contracts. To implement the new IT Supply Strategy fully, the Department has been working to let a range of new IT frameworks under the UNderpinning IT DeliverY (UNITY) Project through a competitive procurement. The UNITY Framework Agreements will enable the Department to procure the full range of IS/IT Services via competitions or single tender, where appropriate utilising a range of payment terms and conditions. Competition, collaboration and partnership are at the heart of the IT Supply Strategy which will enable the Department to make the most of the market. To deliver its strategy the Department is building on this progress by developing capability across its strategic sourcing, service delivery and portfolio management structure to engage suppliers within a continuous value for money framework.

As the Committee acknowledge, the Department has also considerably improved its internal expertise, including through the appointment of a new Chief Information Officer, Chief Technology Officer, and a range of Director level appointments, including IS Directors and a Strategic Sourcing Director.

The Office of Government Commerce (OGC) has been responsible for a number of significant activities to improve the delivery of IT projects across Government. The Gateway Process, launched in February 2001, has produced substantial benefits and increases the likelihood of early identification of threats to the successful delivery of major IT-enabled projects. Through the Embedding Centres of Excellence Programme, OGC is supporting departments in driving improvements in delivery for acquisition-based programmes and projects, including IT, in line with the actions agreed by Cabinet Ministers in December 2002. Other measures to strengthen IT projects ensure that no IT-dependent government initiatives are announced before a thorough risk and implementation options analysis has been undertaken and that no big-bang IT-dependent implementation takes place without the approval of a Ministerial scrutiny group. Furthermore, updates about the Government's mission critical projects are now routinely provided to departmental management boards, Ministers and the Prime Minister, allowing early corrective actions to be taken. OGC has also assisted departments in gaining access to a range of guidance on best practice, including internationally-adopted methods such as PRINCE2, and supported by accredited services in training and consultancy.

The Department welcomes the Committee's recognition that there is evidence of improved performance by the Department including its Agencies and suppliers. The Department recognises that to deliver its major programme of change and resulting improvements in efficiency and customer service successfully it needs to ensure that projects are run in line with best practice. Its modernisation programme applies to all its activities supported where appropriate by changes in its IT systems and it needs to ensure that top quality resource, both internally and in terms of external suppliers, is available to it when required.

The Government's response to the Committee's individual recommendations is below. Some of the answers to the recommendations are grouped together where there is a degree of similarity in the recommendations. The aim is to present a more coherent overall

response and reduce the amount of repetition. Each answer is included in this memorandum where the first of the grouped recommendations occurs. They are grouped as follows: 6 with 13; 7 with 34; 21 with 22; 25 with 26, 27 and 28; and 29 with 35.

CONCLUSIONS AND RECOMMENDATIONS

1. We recommend that the Department establishes a high level working group chaired by Ministers, comprising IT suppliers, social policy experts and other relevant parties, including representatives of client groups and front-line staff to make recommendations on how policies can be simplified. (Paragraph 13)

The Department recognises the need for simpler, more transparent policies that make it easier for customers to understand policies, and for staff to administer them correctly. It also recognises the importance of involving stakeholders in the policy development process and will continue to do this through a variety of both formal and informal mechanisms.

The Department is pleased that the Committee recognises that it has made some good progress in simplifying policies particularly the Committee's recognition of the Government's child support reforms as an example of simplified policy. The Department, in its initial written evidence, also provided the Committee with details of the work it has done on the New Tax Credit (NTC) and Pension Credit (PC). For example, the policy for NTC was simplified to ensure only maximum Child Tax Credit is taken into account when assessing benefit entitlement, and from the start of the following benefit week, to allow time for information to flow. Similarly, following advice from IT specialists (and Age Concern), it was decided that a notional income would be attributed to capital, enabling the Department automatically to convert most of the 1.8 million Minimum Income Guarantee recipients to PC without them having to provide additional information.

As another example the Department has introduced the most radical structural change to Housing Benefit since 1988. The Local Housing Allowance provides housing support based only on location and household size. Further simplification of the rules and procedures is a top priority with, for example, the Department continuing to work on aligning the Housing Benefit rules with NTC and PC which will make the rules easier to understand.

The Department recognises the need for further work in this area to identify opportunities to simplify and streamline the portfolio of current benefits. The aim is to simplify the system for customers and for those involved in administration, to reduce fraud and error rates and to promote welfare to work and poverty objectives by improving incentives to work and to save. This should also lead to a reduction in the level of complexity required from IT systems, reducing risk, and IS Directors and their teams are closely involved in this work. However, the benefits of policy simplification need to be weighed against some of the difficulties that can sometimes come with it. As the Committee recognised, decisions have to be made about the balance between simplification and fairness, with complex policies sometimes needed to avoid creating rough justice and thus too many losers from policy changes.

The Department recognises that policy simplification can reduce the costs and risks of IT support. The Department's Client Groups ensure that policies are developed which are in line with the Government's overall strategic direction and business considerations and

imperatives. The recently appointed IS Directors act as a conduit in this process, helping to ensure that IS/IT considerations are fully reflected in policy design. The Department recognises the importance of consulting stakeholders, and deploys a range of mechanisms such as formal consultation exercises with the public and interested organisations as well as involving front line staff and suppliers in projects.

2. We recommend that the Government makes a commitment to transfer half of any savings into benefits with the balance being divided equally between better service delivery and public expenditure savings. (Paragraph 14)

The Government has put in place a robust framework to manage public expenditure through the Budget and Spending Reviews. These processes ensure that the allocation of Government resources, including any efficiency savings derived from IT projects in the Department, is properly managed in order to meet the Government's key objectives for the economy and the UK as a whole.

This framework has enabled the Government to plough back savings into improving public services such as the introduction of PC and NTC. The framework has also made possible the Department's considerable investment in Modernisation thus enabling the creation of Jobcentre Plus and The Pension Service which will ultimately deliver improved customer service with reduced fraud and error. The framework has also enabled the Government to channel funds into ensuring that patients will continue to benefit from increased investment in the health service, and to increase UK education spending from one of the lowest in the industrialised world to amongst the best.

3. We recommend that DWP sets and publicly justifies more realistic deadlines than hitherto has been the case. (Paragraph 18)

The Department acknowledges the need to set realistic deadlines, striking the right balance between them being challenging and thus benefiting members of society as quickly as possible, whilst remaining achievable.

The Department has demonstrated that, through the deployment of sensible implementation and risk management strategies, challenging timescales can be realistically achieved. It successfully adopted such strategies with the introduction of PC by allowing advance applications from April to September 2003. This ensured that systems and processes were fully bedded in before the launch date on 6th October 2003. A controlled and measured marketing campaign allowed a steady build up of applications and the 18 month take on period enabled the Pension Service to manage the increased workload successfully whilst ensuring that no pensioner would lose out.

The Department's updated IS/IT Strategy also enhances its ability to strike a successful balance. One of its key aspects is the use of COTS packages which are usually lower risk and are therefore easier to manage than projects involving bespoke solutions. The principle is that the reduced risk is a result of using a packaged solution that has already been designed, built and tested to do the job rather than effectively starting from scratch with a bespoke solution.

The Department welcomes the Committee's view about setting realistic deadlines and has taken this into account. For example when announcing the date the new scheme was going to be introduced the Child Support Agency (CSA) took into account the possible risk to clients by not setting future dates for migration and conversion before it is confident that the computer system is stable enough to cope with these events.

4. We recommend the introduction of an independent, publicly available, continuing assessment of Concept Viability for all major IT projects as they are developed by the Department. (Paragraph 24)

The Department fully acknowledges the importance of ensuring that its IS/IT Strategy and IT product selection are based on a comprehensive knowledge of the very best that the market has to offer, including being fully aware of the most recent and innovative developments as well as experiences that other organisations have had of implementing IT products and solutions.

The Concept Viability service is offered by Intellect, the trade association for the IT, Telecommunications and Electronics Industries in the UK and invites public sector clients to take market soundings at an early stage to test the practicability of their ideas. The Department is not convinced that the Concept Viability service would produce the best results for it. It is already increasingly working on a partnership basis with its main suppliers and so is able to get early industry intelligence in that way. The Department has also appointed a Head of Innovation to lead in progressing research, development and evaluation of new products in the market place.

5. We recommend that well before any contracts are signed, IT programmes should involve key stakeholders in the analysis of how business processes will be changed. (Paragraph 25)

The Department agrees with the Committee that getting business-process change right is critical to the realisation of benefits from IT projects, and that planning and the business-process changes for the IT changes needs to be tightly integrated. This approach is at the core of new development programmes.

The Pensions Transformation Programme is an example of the successful application of this approach in the Pensions Service. This programme is in the forefront of the Department's modernisation, demonstrating how, through its business-led, objective-driven approach, significant efficiencies and improvements in customer service can be achieved. The new business design will be underpinned by IT which utilises best-in-class COTS packages linked to the Department's existing legacy system. It will deliver a total business transformation of The Pension Service from a largely paper-based business focussed on processing transactions to one which will be based around customer-focussed, multi-channel contact centres.

The Department is also developing this approach one stage further in a cross-business environment. It intends to adopt common approaches to business-process design and IS/IT development across the Department's businesses wherever it is sensible to re-use solutions by building on the current IS/IT Strategy of adopting standard software packages

based on best practice business processes. To oversee this approach the Department has set up an Integrated Delivery Board, chaired by the Jobcentre Plus Chief Executive and including the Department's other Agency Chief executives, the Group Finance Director and the Chief Information Officer.

In addition the Department has developed a Change Lifecycle methodology to support projects to deliver change from start-up through to implementation and beyond. Prior to any contractual undertaking, specific lifecycle products guide projects through gathering requirements, based on business processes and the external customer experience, prior to consideration and evaluation of the available IT solutions. Key stakeholders are identified early in the project lifecycle and a series of stakeholder workshops are held to consider aligning the business processes and the IT COTS solution available, before decision about significant financial investment is made.

6. We recommend that, as formal evidence to Parliament, the Department should present an implementation assessment for each major IT project. (Paragraph 26)

13. We recommend that detailed information about how risks are managed in major IT projects should be made available to Parliament before contracts are signed. (Paragraph 53)

The Department acknowledges the Committee's concerns in this area and is committed to improving the basis upon which decisions regarding implementation and management of risks are made. The Cabinet has agreed that no new IT dependent government initiative, including legislation, should be announced before analysis of implementation options and risks has been undertaken. The Department adheres to this approach which complies with OGC best practice. In addition the Department has strengthened its internal processes in relation to deciding on contracts and implementation in the light of risk assessment. In particular there is now an emphasis on shorter projects and a preference for commercial off-the-shelf packages over bespoke solutions and the Department has been working to let a range of new IT frameworks under the UNderpinning IT DeliverY (UNITY) Project through a competitive procurement.

The implementation of policies requires countless decisions on a range of issues on a daily basis. The Government values its interaction with Parliament on the broader issues around implementation of policies and its approach in general to these issues. It sees individual decisions as a matter for the Department and its Ministers.

7. We recommend that the Department recruits sufficient numbers of skilled project managers with knowledge of IT projects to negotiate contracts and to monitor their IT suppliers effectively. (Paragraph 31)

34. We recommend that the DWP's in house contract negotiating team be further strengthened. (Paragraph 168)

The Government welcomes the Committee's recognition of the Department's decision to re-establish its in-house IT project expertise. The Department recognises that it needs sufficient numbers of appropriately skilled people to negotiate contracts and to monitor its IT suppliers effectively. It also recognises the need to include these functions within the context of an effective sourcing strategy based on maximising value. It has already made

good progress with the appointment of a significant number of contract specialists and of a Strategic Sourcing Director, who has over 25 years experience as a commercial professional with significant experience in major blue-chip, regulated and public-sector organisations where he has developed and implemented strategies for major outsourcing programmes, operations and business transformation.

The Department has adopted a planned programme of change to re-balance and improve the management and governance of its supplier project work, to introduce additional capabilities that focus on the delivery services, portfolio management, risk, and financial, supplier and people management. In enhancing its capabilities across these areas, and by adopting an approach which checks the value and contribution of its portfolio of projects across the business lifecycle, the Department will avoid the risk of duplication or unclear accountabilities across projects and strengthen its ability to assess value for money from its Capital and Operating budgets.

The Department has made a series of appointments, including some at Director level, in the areas of project management, programme management, portfolio management, IT strategy and development and commercial management. It has appointed a new Chief Information Officer who aims to ensure the delivery of effective, reliable and value for money information systems and services, and the successful delivery of its IS/IT Strategy. These appointments are not being made in isolation, but form part of the planned programme of change. The Department's internal client side organisation is being transformed towards a resource model that has fewer, more highly-skilled resources. By bringing in experts in IT and procurement, the Department will build a higher calibre team of professionals able to deliver a world-class IS/IT service to the Department.

8. We further recommend that the Department enters into urgent discussions with the OGC, The Royal Academy of Engineering, British Computer Society and Intellect to agree a set of recognised professional qualifications for IT project management. (Paragraph 32)

The Department has already developed a highly-professional approach to project management and in doing so has worked closely with organisations such as the OGC. It works with the OGC on an ongoing basis to share knowledge and pan-Government best practice and has used the OGC recommended National Occupational Standards as guidelines throughout the development and growth of its Project Professionals Group (PPG). The Department's approach is firmly based on frameworks, such as the Skills Framework for the Information Age (SFIA) and SFIA+ the most recent release of the Industry Standards Model, which are endorsed by relevant professional bodies such as the Association of Project Management, the British Computer Society and e-Skills UK. This approach is supported by recommendations in the recent study conducted by the Fellows of the Royal Academy of Engineering and British Computer Society and is a detailed requirement in Commitment 10 of the Intellect IT Supplier Code of Best Practice .

The Department is already widely recognised as embodying leading practice in this area, a perception endorsed by independent benchmarking when the PPG won the OGC Best Practice Award for 2003/04. It remains keen to ensure that its professional standards continue to evolve with best practice and experience across both public and private sectors,

and will seek to tap into expertise across a range of organisations which could include those referred to in the Committee's recommendation amongst others.

9. We recommend that a far higher priority is attached by Ministers to committing time and resources to managing the cultural aspects of major IT programmes. (Paragraph 36)

The Department recognises the importance of achieving cultural change and intends to draw on its experience so far in order to bring it about more effectively in future. It already has many positive examples to which it can point. For example, the CSA has embedded cultural and behavioural change into its in-house training programme which includes team leader training and its Management Development Programme. In addition the CSA's internal communication and education campaigns have been aligned with its training programme to reinforce a client focus. This emphasises behaviour such as positive customer contact through better use of telephones to contact customers quickly.

In Jobcentre Plus the opportunity was taken through the roll-out programme to break down barriers between separate parts of the organisation and to make the development of new roles and responsibilities the goal in addition to the delivery of new IT and new or refurbished offices. In Jobcentre Plus the customer experience has been changed by making the environment and supporting IT, such as Jobpoints, attractive and more welcoming to customers.

However, the Department recognises that more could have been done to address cultural change and training issues. It also recognises that the difficulties with the new CSA computer system and the need to have recourse to manual processes have weakened staff confidence and affected productivity in that area.

Consultation with business interests is a key element of the Department's tools for managing projects/programmes; and through this means the needs of the organisation's staff are now identified at an early stage in a project/programme's lifecycle, with front-line staff encouraged to be actively involved in the change process and IT systems design.

10. We recommend that in drawing up IT programmes, the Department consults fully with its staff and the responses of those consultations be included in the ITIA that we recommended earlier. (Paragraph 41)

The Department shares the sentiments behind this recommendation and places considerable emphasis on the full involvement of business users, who are often front-line staff, in assessing the feasibility of any new IT initiative and during each stage in every project's lifecycle. Staff views are considered during the Department's governance process, which includes mandatory reviews by stakeholders prior to the initiation of each project and at key stages throughout the project's lifecycle.

The Department views the engagement with operational staff as an iterative process throughout the lifespan of a project process rather than as a one-off consultation. As a consequence it would be inappropriate to publish the results of any one consultation.

11. We recommend that the Department spends a significant proportion, at least 20%, of the budget of any major IT project on examining its business processes and putting the necessary organisational systems in place before new computer systems are introduced. (Paragraph 46)

The Department recognises the Committee's concern about allocating the right amount of resource to examining business processes and putting the necessary organisational systems in place. Its governance process and project support tools already provide assurance that all relevant aspects of an IT project or programme have been addressed and are in place at appropriate points in the project's or programme's lifecycle.

The Department fully accepts the principle that it needs to get business processes right. However it does not accept that there should be an artificial share of the budget spent on that process. It will consider identifying what proportion of a project's budget might best be used to examine business processes and will bear in mind that it may not be appropriate to consider the same level of apportionment for each project. For example, infrastructure replacement projects may have little or no impact on business processes.

12. We recommend that mechanisms for identifying and allocating costs associated with system failure, including compensation to customers, should be identified before contracts are signed and included in contingency plans. (Paragraph 52)

The Department recognises that there are costs associated with system failure that may need to be recovered via appropriate contractual terms and conditions. Where such costs can be forecast accurately in advance these are covered by the inclusion of Liquidated Damages terms within the contract. Liquidated Damages are a genuine attempt to pre-estimate the loss the Business will suffer should the supplier be late in meeting key delivery points that have been agreed. Additionally in the event of a breach of contract the Department could claim damages from the Supplier for any loss directly caused by the breach.

System failure on a lesser scale is normally covered by the Payment and Performance terms within the contract. The value of Service Credits (payment deductions) is calculated in relation to the financial impact on the Department of failure by the Supplier to meet the contractually-agreed Service Levels. These are also a genuine attempt to pre-estimate business loss or reduced value of the service provided. The formula for their calculation and any limits that may apply are agreed through negotiation.

The contract defines both the Service Levels normally required and a minimum-acceptable level of service. Performance that repeatedly falls below this minimum service level additionally gives the Department the right to terminate for breach, if it considers such action appropriate.

The Department will review its processes to ensure contract mechanisms such as Liquidated Damages and Service Credits are applied consistently and according to best practice across all future contracts. Further, the process for defining contingency plans will be updated to include the identification and allocation of costs associated with system failure, and its business case guidance will be updated to provide added emphasis for this range of issues.

The Department already has a scheme to compensate customers when they suffer maladministration by it. The scheme does not concern itself, quite rightly from a customer's perspective, with whether the underlying cause was IT related.

The Department does not include contract obligations that attempt to recover compensation paid to its customers directly from its suppliers. Including such provisions would raise severe doubts about value for money as the financial risk premiums its suppliers would seek to include would undoubtedly rise significantly and any claims put forward by the Department would be likely to be subject to legal challenge and debate regarding causation, exclusions and limitations.

14. We recommend that Government expands the remit of the OGC to include continuing support for Departments after IT systems go live. (Paragraph 54)

The Government recognises the importance of providing continuing support to departments after projects go live and have already ensured that the remit of OGC includes such support. OGC provides ongoing support to departments to help improve project and programme management and procurement activities. This includes guidance on how to manage contracts and service management, benefits realisation and re-competition, and also Gateway Reviews at Gates 4 and 5.

15. We recommend that when replying to this report, DWP describes the contingency plans that it and the Inland Revenue have in place to: a) avoid a replication of some of the problems we have witnessed with tax credits; and b) support people on income support in the event that problems do occur. (Paragraph 55)

The Department and the Inland Revenue have always recognised the importance of ensuring a successful migration for claimants of Income Support (IS) and Jobseekers Allowance (JSA) on to Child Tax Credit (CTC). Drawing on the experience from the first year plans have been to spread work more evenly across the year and reduce risks with necessary IT testing on course to be completed prior to the start of exercise.

From 6 April 2004 families who claim IS/JSA and do not already have a CTC award, are being helped by Jobcentre Plus staff to make a claim for CTC which is fast tracked by the Inland Revenue. Families on IS/JSA, who are not yet receiving CTC, will be transferred to it on a rolling basis from October 2004, subject to a final readiness review this summer. The process will be automatic and they will continue to receive the same level of benefit support as they would from CTC.

The key priority will be continuity of payment and to this end only when the Inland Revenue puts CTC into payment will the child and family-related elements be removed from a customer's IS/JSA assessment. In addition CTC will continue to be disregarded so that the overall entitlement for IS/JSA families will be unaffected.

A small number of families will move off IS/JSA when they are migrated to CTC because their residual benefit entitlement reduces to nil. The vast majority of these families will be better off on CTC with them being identified before they are migrated and invited to an interview with a Jobcentre Plus adviser. The interview provides information and support including a better off calculation to establish whether the customer will be better off claiming CTC immediately rather than wait for auto-migration. If the customer decides to

claim CTC immediately, the Jobcentre Plus adviser will help the customer to claim any other benefits to which they may be entitled. This includes help making a standard claim to Housing Benefit and Council Tax Benefit. Around 30,000 Jobcentre Plus staff, carrying out a variety of job roles in local offices, have been trained to carry out detailed interviews to provide help and information to families including giving better-off advice.

16. We recommend that the Government makes an early statement of policy on how it proposes to proceed with all IT projects which continue to operate under PFI rules. (Paragraph 74)

HM Treasury, along with Partnerships UK, conducted a review of the performance of PFI procurement in IT projects in 2003. Following that review, the Government announced a presumption against the use of PFI in future IT projects. The review demonstrated that although the majority of projects had been delivered to the satisfaction of public-sector users, the particular characteristics of IT projects were not ideally suited to PFI procurement. Therefore contracts have been re-negotiated to achieve ongoing flexibility unless the PFI/IT projects are delivering satisfactorily in which case contracts should continue. If difficulties arise, HM Treasury will advise departments on the possibility of re-negotiation.

17. We recommend that the Department should by 1 April 2005 publish detailed plans on how it proposes to increase involvement of SMEs in the IT procurement process in future. (Paragraph 81)

The Department is currently engaged in a major procurement exercise (the UNDERpinning IT DeliverY project - UNITY) which is specifically intended to provide a way in which business requirements can be broken down into smaller phases and niche players can be engaged in provision of services which encompass their strengths. The structure of UNITY enables certain business requirements to be tendered by SMEs. Following the initial stages of the UNITY evaluation and short listing, 38% of short listed suppliers are SMEs (as defined by the OGC). By spring 2005 the Department will be able to provide details of SMEs awarded Framework Agreements under UNITY and engaged on other initiatives. However, the Department will wish to ensure that IT organisations with which it does business have sufficient scope and depth to cope with the large-scale nature of our business. It will therefore be exploring ways in which our large IT suppliers and appropriate SMEs can work together collaboratively.

18. We recommend that the DWP investigates ways of helping bidders with their tender costs incurred when competing for contracts. (Paragraph 85)

The Department recognises the Committee's concerns and is keen to minimise the cost of tendering for IT business and improve the processes for competition while still providing and receiving the information required to make an informed decision. It is undertaking a review of contracting processes and developing a framework by which we will reduce the cost and increase the speed of putting IS/IT contracts in place. These new processes are being developed in support of the new UNITY Framework Agreement structure, which will benefit suppliers and have a corresponding impact in assisting bidders with their tender costs.

19. We recommend that the DWP actively explores using the services of organisations like the CA to improve the delivery of services. (Paragraph 86)

The Department recognises the importance and potential of working with trusted intermediaries to deliver better and more joined up services to the public. It is currently actively engaged with Citizens Advice (CA) and the Inland Revenue in exploring where working through intermediaries would be of most value. The ultimate aim of this closer working is to provide access to the Department's services for intermediaries through e-channels.

The Department will build on earlier work in actively engaging with partners to deliver more joined up services like the pilot project the Benefits Agency ran with Invest to Save Funding which involved installing personal computers at local authority (LA) offices in Stockton and CA in Stockton and Hartlepool. This Project aimed to show that e-services could be delivered successfully via intermediaries whilst at the same time maintaining Departmental service integrity.

The Department will also build on the work it has done in developing the Pensions Local Service as a customer-focused entity with a footprint throughout England, Scotland and Wales, by developing Joint Teams with LA and voluntary-sector partners to provide an holistic financial assessment and benefit service. Its aim is to achieve full national roll out of Joint Teams by spring 2006.

Jobcentre Plus now works with a large number of non-contracted partners who assist jobseekers in their job searching. These partners have access to the Department's job bank, holding all of Jobcentre Plus' vacancies which can be accessed by any Internet user anywhere in the world, as well as knowledge of additional local jobs. All LAs working with Jobcentre Plus through LA Public Service Agreements are automatically given intermediary status.

20. We call upon the Department to set out how it will ensure that its IT projects are fully in line with the highest standards of accessibility and to provide reassurance that it will fully meet its duties under the Disability Discrimination Act. (Paragraph 88)

The Department is committed to the issue of IT accessibility and its duties under the Disability Discrimination Act. This commitment is underlined by it having a dedicated Accessibility Solutions Team and with managers, IT developers and projects all being mandated to comply with advice and guidance on accessibility. It has further reinforced this approach by agreeing a new Project Start-up Pack in September which includes a section telling project managers about accessibility and what the accessibility Solutions Team can do to assist them.

The team works with individual IT projects across the Department to ensure that IT systems and software applications are accessible for disabled staff and customers. It offers help to IT projects in the development of an effective accessibility strategy to address the needs of disabled people and how the application or system should be developed. It allocates a dedicated resource to each IT project and helps with advice and testing of the application or system, including by users of assistive technology.

21. We recommend that more information, such as the cost of the contract and penalties for delay, should be put into the public domain. (Paragraph 90)

22. We welcome the offer to develop a set of guidelines to cover increased access to information on IT contracts and agree that the proposals put forward by the Secretary of state do provide the basis for further consideration. (Paragraph 95)

The Government agrees that further information should be put in the public domain. It is consulting on the implications of the requirements of the Freedom of Information Act. The response to recommendations 25 to 28 covers this in more detail.

23. We further recommend that the powers available to the OGC are strengthened: (i) to impose the recommendations made by Gateway Reviews; (ii) to ensure that departments follow the guidance; and (iii) to allow the OGC to police compliance with mandatory actions. (Paragraph 104)

The Government reaffirms its view that it is not for OGC to run projects for departments as in doing so would dilute the accountability of the Accounting Officer. It is the responsibility of Departmental Accounting Officers and project and programme Senior Responsible Officers to ensure that Gateway Review recommendations are considered and that guidance and best practice is followed. The introduction of Centres of Excellence into departments and the challenge role they fulfil for programmes and projects, already provides a route for following up on Gateway Review recommendations and reporting this to the senior management of departments. The role of OGC is to improve project and programme management not to manage on behalf of departments. OGC already has the power to escalate issues to Permanent Secretaries whenever appropriate.

24. We recommend that the Government invites the OGC to undertake and complete a review by 1 July 2005 into the likely effect of implementing the Clinger-Cohen statutory framework in the UK. (Paragraph 109)

The Government is aware of the powers contained in the Clinger-Cohen legislation. Its approach has been to take effective measures to improve the success rate of IT projects without recourse to legislation as, without substantial support and monitoring, legislation can lead to a "tick box" approach. It believes this approach is likely to be more effective at driving up the success rate of UK programmes and projects.

Ministers have agreed to actions that will strengthen the delivery of IT projects, as will the use of Gateway Reviews and the developing role that departmental Centres of Excellence can play, both of which assist departments by providing a challenge function. Ministers also receive regular reports on the progress of Mission Critical projects. The Government will keep the situation under review.

25. We recommend that the Government should publish Gateway Reviews with appropriate safeguards or failing that to set out how Parliament otherwise can be provided with the level of information it needs in order to scrutinise adequately questions of value for money from major IT contracts. (Paragraph 121)

26. In the event that the case against full publication of Gateway Reviews can be substantiated, we call upon the Department to provide a summary document of each review within 6 weeks of the review being completed. (Paragraph 123)

27. We recommend that the DWP publish strategic outline and full business cases together with relevant supporting information. (Paragraph 129)

28. We recommend that the Department by 1 October 2004 sets out how it proposes to deal with requests for detailed information on publicly funded IT projects from members of the public or other interested commercial organisations under the provisions of the Freedom of Information Act that come into effect in January 2005. (Paragraph 135)

The Government recognises the concerns of the Committee with respect to the information provided to Parliament on IT projects and IT contracts. It takes seriously the need to consider requirements under the Freedom of Information Act 2000 (FOI) and Parliament's need for sufficient information to perform effective scrutiny. Equally, however, the Department and the OGC have been frank about their concerns around the provision of commercial information and the publication of OGC Gateway Reviews. There are legitimate concerns around the need to protect Government departments' onward programme of competitive supply, and to protect the inherent value of the openness and candour of the OGC Gateway Review process currently afforded by confidentiality.

OGC is leading on the production of policy and guidance on the disclosure of public procurement information under FOI. It is expected that this will be agreed by Ministers and published ready for the entry into force of the Act on 1 January 2005. It will be complementary to the high-level guidance on the Act as whole prepared by the Department for Constitutional Affairs. The Department will use this to inform decisions about the amount of information provided on Gateway Reviews, business cases, how risks are managed in major IT projects, the cost of contracts and penalties for delay and how it proposes to deal with requests for detailed information on publicly funded IT projects from members of the public.

Child Support Reform

29. We recommend that the Secretary of State makes a statement to the House before 1 November 2004 outlining progress made on the new scheme and providing whatever information is available at the time on the proposed migration of cases from the old to the new system. (Paragraph 160); and

35. We recommend that if the new system is not fully operational for new cases by 1 December 2004, then the CSA should by 1 February 2005 make public its contingency plan including various options, in particular the abandonment of the CS2 system in the event that this should become necessary. We also recommend that, if by 1 December 2004 the CSA cannot guarantee that the migration of old cases onto the new system will have been completed by 1 May 2005, then the CSA should by 1 February 2005 make public its contingency plan including various options, in particular the abandonment of the CS2 system in the event that this should become necessary. (Paragraph 179)

The Government shares the Select Committee's concern that all child support cases should be able to benefit from the new rules. It has always made it clear that old cases would be transferred to the new scheme when, and only when, it is satisfied that the new scheme is working sufficiently well. In line with this the Secretary of State will continue to make regular progress reports to Parliament and will make a statement in due course setting out how and when the Department proposes to move forward on migration.

From the last quarterly report to Parliament the total number of cases cleared continued to rise but, clearly, the Agency needs to do much more to drive performance improvement and build on the progress made during 2003/04, with further emphasis on achieving positive outcomes for families. The poorest families are starting to gain significantly in real terms from the new system with the introduction of the Child Maintenance Premium. This last quarter saw a further rise – the highest quarterly rise to date - with over 8,000 first Child Maintenance Payments being made thus bringing the total number of beneficiaries to over 25,000. And whereas under the old system, most cases were closed before calculations were made, the reverse is now true. The ratio between those cases reaching calculation compared with those that closed has remained consistent with previous quarters at around 6:4, comparing favourably with the ratio of 4:6 under the old scheme.

30. We recommend that the DWP includes in the monthly report to Parliament, figures on the number and proportion of cases that have received their first payment within the Government's time limit of six weeks. (Paragraph 161)

The Secretary of State's regular progress reports have made it clear that reliable information on throughput is not available at present. The Government has not set a time limit of six weeks for receiving payment. The initial aim for the new system, when fully functioning, was for payment arrangements to be put in place in six weeks on average, not that a first payment should have been received within six weeks. There is no published target for throughput at present but once reliable management information is available, throughput will be included in future reports.

31. We recommend that the new telephony system should be abandoned in favour of alternative systems of direct lines to local call centres unless the new system is fully functional by 1 May 2005. (Paragraph 162)

The Government recognises that the service provided by the CSA using EDS's new telephony service has been unsatisfactory. However recent statistics show that performance is improving steadily with more calls being routed correctly and now being answered. Action is being taken to address the outstanding issues and enhancement of the system which will improve the functionality and improve the integration with the computer system is scheduled for the autumn. The CSA is confident that the telephony system will operate as intended and does not consider it necessary to abandon it.

32. We recommend that the Department sets out in detail by 1 November 2004 how the service provided by call-centre staff is expected to differ from that provided by fully qualified caseworkers. (Paragraph 163)

The Government's modernisation agenda aims to provide excellent customer service to the public. The CSA has specially trained caseworkers and intends to continue to ensure that all staff are appropriately skilled to carry out their role. The aim is to carry out most business by telephone and improve the Agency's service to customers. The CSA intends eventually to have the majority of calls going direct to caseworkers providing an improved service to customers. When the arrangements have bedded in this will result in a reduced National Helpline service essentially focused on providing back up and support at peak times.

33. We recommend that the DWP provides a list of the change requests and dates thereof that it has issued for CS2 with reasons for each request and an assessment of the effect on the programme in terms of hours of DWP staff time, cost, delays, reliability and functionality. (Paragraph 167)

The process for notifying to EDS any new elements of the system that do not fully meet the original requirements involves making a "request for change". The fact that this process has been activated does not mean that a change to the underlying requirement has taken place – the change that is requested is to the underlying computer and telephony system. The change is commonly a defect discovered during testing or live operation. The issue of whether any "requests for change" refer to changes in the Department's original requirement is the subject of commercial discussions with EDS. There have been a small number of changes in the last year which the CSA accepts are changes to the original requirement and it will provide the Committee with details of these by 1 November 2004.

36. We recommend that a full post mortem be undertaken into the CS2 project by the DWP as soon as is reasonably possible, either after it becomes fully operational or in the wake of its cancellation. If the Department does not comply with reasonable requests for transparency, then we will consider the case for conducting a review into DWP IT projects with conclusions and recommendations being made to Parliament and the taxpayers who provide the financial resources. (Paragraph 188)

The Department reaffirms its intention to review and evaluate fully all aspects of the introduction of the new child support scheme, and will do so in due course. The Department will provide a report to Parliament once this review has been conducted.