

Freezing public sector IT – what is the government aiming to achieve?

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Public sector IT spending currently absorbs more than £17 billion of public spending annually in the UK. Under Labour, British expenditure in this area dwarfed that of any other European Union nation, with many contracts costing billions of £s and running for periods up to 18 years. The UK also has perhaps the most concentrated government IT market in the world. So the Treasury announcement of an effective freeze in central government IT spending has sent shock waves through a major private sector industry. Here [Jerry Fishenden](#) decodes what the new Conservative/Liberal Democrat government is seeking to do and why it has determined on such a radical stance.



The future of public sector information technology (IT) is firmly in the coalition government's spotlight. On 24 May 2010 the Treasury [announced](#) an immediate freeze on all new IT expenditure over £1m and additional very tight restrictions on consultancy.

The immediate intent is set out as being to “cut out waste”. But in opposition both the Conservatives and Liberal Democrats took a critical view of the many problems they saw with public sector IT when in opposition (see, for example, the discussions at <http://www.makeitbetter.org.uk/> and http://www.makeitbetter.org.uk/?page_id=298). So the current drastic move looks like the start of a more significant and wider change to the way in which IT is governed, designed and procured.



Source: BBC

Some of the rationale behind the immediate freeze is likely to include a desire to achieve multiple objectives:

- Drawing a line under the constant “technology churn” upgrade cycle, bringing to a halt hardware and software rolling expenditure that appears to have little purpose in terms of public service improvements.
- Ensuring that Whitehall departments rigorously baseline their use of IT, driving out costs and “sweating the assets” of existing systems.
- Forcing Whitehall departments to be able to articulate much more clearly why they’re proposing to spend money on more IT. (What is it for? What public services does it benefit? And what outcomes will it improve?)
- Freeing up money for key projects over the next Parliament (such as potential welfare simplification and taxation simplification and modernisation).
- Delivering budgetary savings – anywhere from 20%-40% savings in IT costs, depending which rumours are to be believed, in order to meet HMT budget expectations.
- Putting into place a new ‘IT governance’ regime designed to stop IT-led strategies that are isolated and unrelated to the wider public sector reform programme. The key underlying idea is to move away from the naive idea that expenditure on IT in itself will somehow magically cure the public sector of efficiency problems.
- Encouraging a change of mindset amongst the big IT suppliers by signalling much tighter cost/benefit controls over IT in future. The government will also hope to provide a much greater chance for smaller IT suppliers to engage in public sector projects and procurements

Critical to the success of a new approach to public sector IT will be ensuring that the right governance regime is put into place. It will have to ensure that the technology and public policy are planned together, rather than IT being thrown at problems without a proper business case, as in the past.

This will require a practical, effective governance model that has the right people and the right skills in place to pay attention to detail. These are major changes to the way public sector IT is run – and they will need to be well executed if they are not to just become a soundbite policy of the kind we saw in Labour’s early days back in the late 1990s.

Today’s announcement is clearly only part of an emerging new vision for public sector IT. We have yet to see any detail of the rumoured changes to the way public sector IT is going to be led and managed in Whitehall. Such changes are believed to include wide-ranging changes to the CIO role, new governance structures and a more agile, effective approach to architecture and procurement, aimed at establishing a more effective, more open and competitive market.

The Treasury has today taken a first step. The interesting question now is what comes next to make the £1m cap on IT projects an effective part of a wider, more successful new approach to public sector IT?#

Jerry Fishenden is a key author for the Centre for Technology Policy’s recent report *Open Government: Some next steps for the UK* (London, Centre for Technology Policy, May 2010), which explores the longer-run issues raised in this blog. Jerry blogs on technology policy at <http://ntouk.com/>

Hyperlink for the above report is: <http://ctpr.org/files/2010/05/CTPR-Report-Open-Government.pdf>

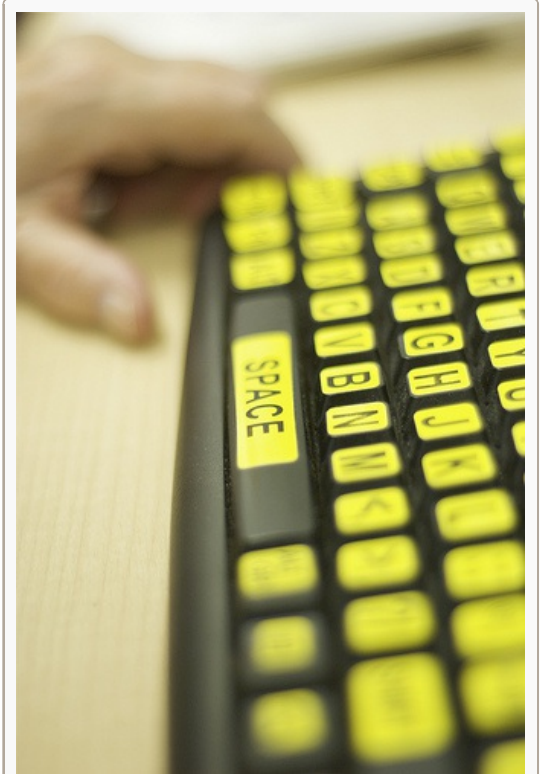


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