

## Public Audit and Post-legislative Scrutiny Committee

### Focus group session with IT contractors: Summary note of key issues

1. On 12 November 2020, the Public Audit and Post-legislative Scrutiny Committee held a focus group session with IT contractors to examine challenges in managing public sector IT projects and the recruitment and retention of appropriately skilled IT staff.

### Background

2. In September 2019, the Committee published a report, [Key audit themes](#), which drew on the audit reports and evidence it had received since the beginning of the parliamentary session and highlighted the key themes which continued to reoccur in its audit scrutiny—
  - Leadership and workforce challenges
  - Governance and accountability
  - Data collection and evaluating outcomes
  - Managing major ICT projects and structural change
3. The Committee's report called for the Scottish Government to lead a debate across the public sector to address the key challenges that the report had identified. As part of its contribution to the debate, the Committee agreed to hold a focus group session with IT contractors to examine issues around the management of IT projects and IT skills within the public sector in further detail.

### *Management of IT projects*

4. Reports from the Auditor General for Scotland (AGS) on major IT projects have regularly highlighted failings in public sector IT projects, which have significantly impacted on public funds. Examples of reports by the AGS which raise concerns about the management of IT projects include the [Police i6 programme](#), the [Scottish Public Pensions Agency's](#) PS Pensions project, the digital transformation programme at the [Scottish Social Services Council](#) and, more recently, [Disclosure Scotland's](#) transformation programme for the administration of disclosure applications.
5. During its scrutiny of the AGS's report on the Scottish Social Services Council, the Committee heard from the AGS that—

“What went wrong in the project was what has gone wrong in many others: people did not get the building blocks right at the beginning. Unless people are clear on what they are trying to achieve, have a clear scope and budget for the programme and have identified, assessed and managed the risks, things are likely to go wrong further downstream”.<sup>1</sup>

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<sup>1</sup> Public Audit and Post-legislative Scrutiny Committee, Official Report, 7 February 2019, column 3 <http://www.scottish.parliament.uk/parliamentarybusiness/report.aspx?r=11941&mode=pdf>

6. A further example of issues around the management of IT projects, was the AGS's report on the [NHS24 IT project](#), where the AGS noted that "There were weaknesses in partner engagement at planning and testing stages, resulting in incorrect assumptions about how the new system would integrate with the out-of-hours service in individual NHS boards"<sup>2</sup>.

#### *IT skills*

7. The AGS's reports have commented on the difficulties faced by public sector bodies in recruiting individuals with the required level of IT skills. The 2017 Audit Scotland report on [Principles for a Digital Future: Lessons learned from public ICT projects](#) commented that it was often found that public sector organisations undertaking an IT project rarely had the right skills and experience within the organisation.
8. The Scottish Government established a new social security agency in September 2018 which will deliver benefits which have been devolved to Scotland. Both of the AGS's reports on the implementation of the new social security agency and its system for the delivery of benefits have identified IT recruitment issues as a key challenge. [Managing the implementation of the Scotland Acts](#) and the follow up report [Implementing the devolved powers](#) both discussed issues around delivery and IT capacity. One of the key messages in the later report was that the pace of delivery had put significant pressure on programme and agency staff and that the programme had relied more heavily on temporary and contactor staff than planned because of difficulties in recruiting people with the skills and experience it needed.
9. In its Key audit themes report the Committee noted correspondence<sup>3</sup> from the Permanent Secretary which highlighted the steps the Scottish Government has taken to enhance IT skills within the public sector, including the creation of the Scottish Digital Academy and a new Digital Fellowship Programme. However, given the impact on the public purse of failed public sector IT projects in the Committee queried whether a fundamental rethink of IT recruitment was required.

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<sup>2</sup>[https://www.audit-scotland.gov.uk/uploads/docs/report/2016/s22\\_161006\\_nhs\\_24.pdf](https://www.audit-scotland.gov.uk/uploads/docs/report/2016/s22_161006_nhs_24.pdf)

<sup>3</sup> Letter from the Permanent Secretary, 8 March 2019.

[https://www.parliament.scot/S5\\_Public\\_Audit/General%20Documents/Letter\\_from\\_Leslie\\_Evans\\_to\\_PAPLS\\_Committee\\_14th\\_March\\_-\\_08\\_March\\_2019.pdf](https://www.parliament.scot/S5_Public_Audit/General%20Documents/Letter_from_Leslie_Evans_to_PAPLS_Committee_14th_March_-_08_March_2019.pdf)

## **Note of focus group session with IT contractors**

**MSPs present: Anas Sarwar MSP (Chair), Graham Simpson MSP, Willie Coffey MSP, Colin Beattie MSP, John Mason MSP, Bill Bowman MSP.**

**IT companies represented: IBM, BJSS and CJI (“the Participants”)**

### **Procurement /tendering process**

**Key message: *The procurement process for IT projects should be reviewed to ensure that it is fit for purpose and keep pace with modern procurement processes***

1. The view was expressed that some procurement tenders for IT projects were “failing to keep pace with modern procurement processes”. Participants suggested that there were examples of out-of-date information being used which was not fit for purpose and where it appeared that text had simply been cut and pasted from previous bids. It was suggested that perhaps a lack of capacity in public procurement / the Scottish Government had apparently resulted in “little to no effort” being used to create new tender bids for projects.
2. A participant referred to an occasion where the same set of questions had been used in two separate tender bids. The answers provided by the participant had been the same in each case but had resulted in “wildly different results”. In one bid, the participant had scored high and in the other they had scored low. Participants suggested that when those managing the bid process have not designed or specified the questions, the scoring of answers is subjective and the results inconsistent.
3. Participants considered that a public sector focus on price over quality leads to a “race to the bottom” scenario where the contractor with the lowest priced bid wins the contract. The general view was that the focus appears to be nearly always on price rather than on quality. One example given of a successful project, where the tender evaluation criteria focused on quality over price, was the project for the 2017 local elections. The contractor involved in this project commented that they felt that ensuring that the project delivered for the election was more important to the project owner than the price and that this had made the project easier to deliver.
4. One of the participants suggested that public sector organisations should ask only for those elements that they really need in the tender. Their experience had been that public bodies frequently ask for things which ultimately increase the cost of the bid. The participants encouraged public sector organisations not to ask for the project to deliver functions that would not be used or to seek information that was not relevant to the project, such as the overheads on supplies or the names of staff.
5. The rarity of contracts including an incentive for successful delivery was also raised. Participants agreed that it was more likely that contracts include a provision to penalise for not delivering on time.

### ***Terms and conditions***

*Key message: The model terms and conditions should be reviewed to ensure that there is appropriate flexibility*

6. Issues around the terms and conditions (T&Cs) of a contract were also identified as problematic by participants. It was suggested that model T&Cs are usually controlled centrally and are fixed; for example, expressing how the project should be delivered. This approach makes it difficult to undertake agile delivery of a project.
7. It was felt that some T&Cs were irrelevant to the project and appeared to “cut some smaller organisations out of the process”. Participants explained that contractors are being told that if they do not meet all the requirements then they are “non-compliant” and are excluded from the bidding process. This is an area that the participants felt should be reviewed as, despite the Scottish Government actively trying to encourage small to medium enterprises (SMEs) to participate in the bidding process, many T&Cs are prohibitive to achieving this.
8. An example given by one participant was being asked to name all the members of its team in its bid for a contract. The participant suggested that, as this presented difficulties for them as a large organisation, it was likely to be impossible for many SMEs and would consequently exclude them from the bid process.
9. Participants confirmed that there was no process to appeal or change the T&Cs. In some cases, small negotiations could be achieved after the bid process, but that this was “frowned on competitively”. Participants explained that, in general, contractors have to either accept the T&Cs or qualify out of the process.
10. The consensus from the participants was that the tender bid process and the T&Cs need to be reviewed to ensure they keep pace with the changes in how IT projects require to be delivered.

## **Initial project planning**

*Key message: Often a lack of initial planning can make projects unachievable. Public sector organisations need to ensure they have a clear idea of what they want to achieve at the start of the process*

11. An issue highlighted by participants was that public sector organisations do not always have a clear idea of what they want to achieve or what the project needs to deliver. As a result, projects can fail because of a lack of proper planning. For example, organisations may have set a budget and deadlines without knowing what it is the project actually needs to do.
12. Participants explained that proper planning at the early stages of a project is critical and that, in connection with larger projects, the level of detailed planning is sometimes insufficient. Participants explained that large projects require different components to come together at the correct time to make the project work.

Participants suggested that a “clear road map” of what to purchase and in what order is required as they had found that steps were not always taken logically by public sector organisations.

13. The participants added that there was a risk that, if the contractor raised such issues at the outset of the project, they would be deemed to be non-compliant.

### **Management during project**

#### *Leading the project*

*Key message: Public sector organisations need to ensure that the project manager has a thorough knowledge of the business and should have the knowledge and confidence to challenge and raise concerns*

14. The experience of participants was that public sector organisations often recruit temporary IT specialists to manage the contract. They felt that while such specialists have strong IT skills, they are unlikely to fully understand the business of the organisation. Also, due to their temporary status, they are likely to have less accountability for the project’s success. Participants were clear that it was critical that the person managing the project on behalf of the organisation understood its business and what the organisation needed the IT system to deliver.
15. Participants suggested that those with a thorough knowledge of the organisation’s business were often not released to work with the contractors on an IT project. Participants indicated that private sector organisations will put their “best and brightest” people on a project and that, were public sector organisations to take a similar approach, it was likely to make a positive difference to the management and delivery of projects.
16. Participants recognised that there are highly skilled civil servants who have a clear understanding of IT systems. However, one participant commented that they had found that the public sector can often be intimidated by IT, with business managers not feeling confident enough to ask questions and “dig into the detail”. A participant indicated that, during one project, a lack of IT knowledge by the public sector business managers had meant that they were unable to ask basic questions to track the progress of the project.

#### *Barriers to success*

*Key message: Agile working and collaboration are crucial to the successful delivery of projects*

17. Participants emphasised the importance of establishing strong relationships early on in the process. However, they felt that, sometimes, there can be atmosphere of distrust because organisations view contractors as being solely focused on money. This distrust can be a barrier to collaboration, particularly in connection with large transformation projects.

18. The Committee heard that, in one instance, a lack of understanding by the public sector team leading a project resulted in progress on the project being impacted for five days. An issue had been found in the test environment and the participant worked hard to prove it was not an issue and that the system was fit for purpose. However, the organisation then wanted the participant to prove that it would never be an issue in the future, which was not possible for the contractor to do.
19. A positive example of strong working relationships given by participants was the Social Security project. The necessity of working 12-24 months in advance meant that the needs and wants of a project could change. The close collaboration of the parties working on this project allowed for “course correcting” where changes became necessary.
20. However, participants also suggested that the internal processes of a public sector organisation could be a barrier to a project being exposed and escalated. Participants found that, in some cases, public sector organisations failed to react when necessary, because changing course and direction was seen as a “bad thing”. In the participants’ view, changing course could be essential to the success of a project and that there needed to be honesty between parties where there were issues with a project and a change of direction required.
21. Participants suggested that a hesitancy on the part of public sector bodies to admit that there were issues with a project could be due to a concern that such events triggered “additional oversight and additional work”. Another reason given was that, while the organisation might meet regularly to discuss risks and issues, this did not always translate to those risks and issues being addressed.
22. The participants commented that “a project never fails on the first day, it takes a long time to get to this point”. In essence, the failure of a project was more likely to be due to the accumulation of small errors rather than a significant issue that could have been identified at the outset of the project. One participant stated that “it needs to be promoted that flagging up concerns is a good thing and staff should be encouraged to report when work is not on track”.

## **Skills**

*Key message: The public sector needs to take steps to reduce its reliance on temporary IT staff*

23. Participants commented on the public sector’s reliance on temporary staff and contractors, pointing out that this, in turn, impacts on the sector’s ability to bring skills into the organisation on a permanent basis - skills gained leave with the staff member / contractor rather than being retained by the organisation. In comparison, the private sector has less reliance on temporary staff and seeks to recruit permanent staff instead and can therefore retain skills and knowledge in-house.
24. It was suggested that a skills’ capability gap exercise should be undertaken by the public sector body at the outset of a project. Where a capability gap is identified, then plans should be adapted to build such capacity into the project. Not only would

this improve the successful delivery of the project, it would also help ensure that the public sector organisation develops its own capability and, over time, reduce its reliance on contactors.

25. The length of time for public sector recruitment processes was also highlighted as a potential barrier to the ability to recruit individuals with the required skills. Public sector recruitment can often take 2-3 months in comparison with two weeks in the private sector, meaning that the best skilled individuals may already be hired elsewhere.
26. One participant discussed how, during the recent lockdown period, their staff had attended 4-6 week “bootcamps” to undertake certified training in new areas based on client demand. This enabled staff to update and broaden their skills. It was suggested that a similar approach could be of benefit to public sector staff and would enable such bodies to have the appropriate resource, skills and understanding of the project before entering into a contract. It would also help close the gap in understanding and improve communication between clients and contractors.

### **Lessons learned**

*Key message: Lessons learned must be fed back into the planning cycle so that future projects can benefit*

27. A participant suggested that, while lessons learned were documented, they were not always applied moving forward, meaning that it was like “going around in circles”. One reason suggested for this was the level of reliance of the public sector on temporary staff. Another explanation given was that there was a “fundamental issue with the culture” whereby it was unlikely that a new project manager would read lessons learned from an earlier project and admit that they would have made the same mistakes. One participant described this as a “lack of humility”.
28. The participants agreed that, while lessons learned processes can be uncomfortable, it is crucial that the results are fed into the next planning cycle. Participants suggested that, to ensure new projects benefit from lessons learned, such lessons need to be incorporated into the procurement stage when a new project’s outcomes are being identified.
29. Participants commented that, in some instances, where a project had not been delivered on time, the public body has reacted by putting in more constraints in the procurement process, rather than examining why the project had been delayed. It was felt that this approach “breeds bad behaviour”.
30. It was suggested by participants that one approach to lessons learned was to undertake a pre-emptive assessment 6 to 8 weeks before the project was due to go live. This allowed for an early identification of issues that could go wrong and for contingency plans to be put in place. It was also suggested that a “mini lessons

learned” approach could be adopted throughout the project and used as a platform to improve as the project progressed.

**Clerks to the Committee  
November 2020**