



# GOVERNMENT DIGITAL SERVICE 2015

Managing Risk Through the Next Stage of Development

# EXECUTIVE SUMMARY

Government Digital Service (GDS) has been an effective catalyst for digital transformation across government. As it now matures, GDS faces three major risks which need to be addressed in order to ensure the continued success of its transformation agenda:

**THE ACCOUNTABILITY RISK:** GDS’s hands-on approach to advising programmes reduces its independence as a controls authority and blurs the accountability of the responsible department

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**THE COMMERCIAL RISK:** GDS’s preference for input-based commercial arrangements rather than a more traditional outcomes-based commercial approach, is reducing commercial alignment between client and suppliers

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**THE EFFICIENCY RISK:** With a monopoly position and a client-base compelled to turn to GDS for advice, there is a risk that they could become an inefficient organisation removed from the efficiency drivers of the market

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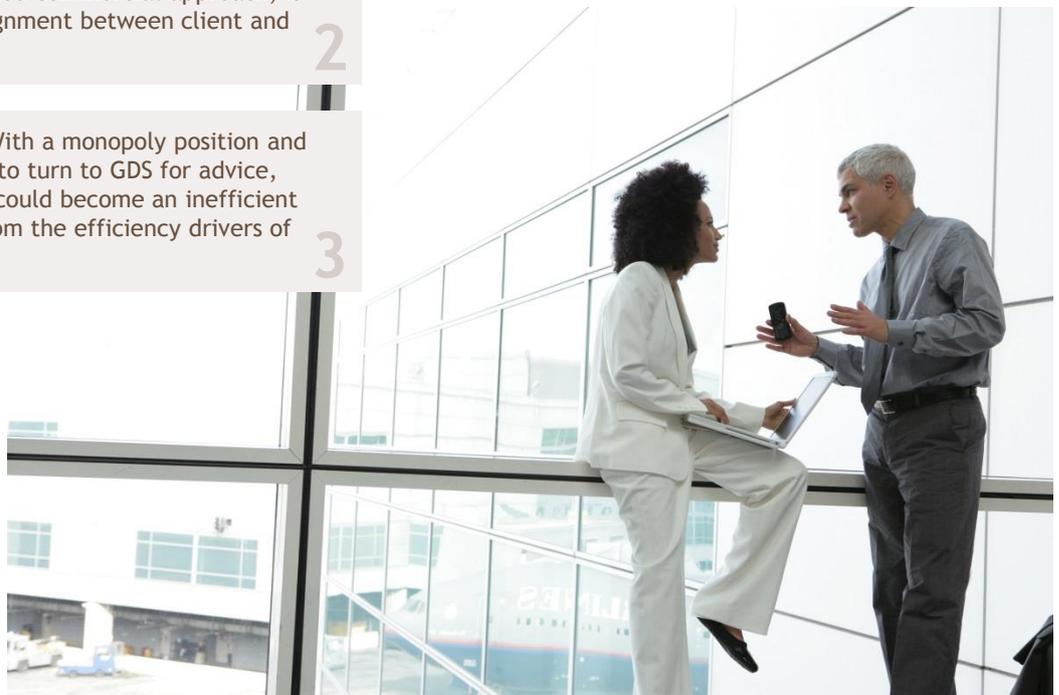
This discussion paper sets out an overview of these risks, their potential impacts and how best to address them.

It suggests that that the three risks faced by GDS are best addressed by making a clear separation between GDS’ controls function and its advisory function.

This paper recommends integrating its controls approach into the proven and well-recognised MPA gateway review process.

To ensure market-driven efficiency of the remaining advisory function, this paper recommends that the advisory function form a joint venture with the private sector, allowing it to grow fast and compete for work alongside other suppliers.

As a matter of urgency, in order to manage commercial risk, all commercial activities within GDS should be formally passed over to the newly transformed Crown Commercial Service (CCS).



# THE GOVERNMENT DIGITAL SERVICE

## Improving accountability, strengthening controls and sustaining efficiency

### INTRODUCTION

The Government Digital Service (GDS) is a flagship hub of innovation. It has grown from establishment in April 2011 to an ambition to have “425 civil servants and 210 interim staff” this year (GDS Business Plan, 2014).

In that time it has achieved remarkable things, many of which had been written-off as too difficult for years, and has proved to be a much-needed catalyst for change across government. The Public Sector Network, the Gov.uk domain name, the shift towards agile development and the move away from blind outsourcing are just some of the successes that Mike Bracken and his team can be proud of.

While it would be easy to reflect on this success, the GDS team are undoubtedly focused on all that there is left to do. However, the challenge for its leadership is to maintain delivery-focus whilst also protecting itself, its reforms and other government departments from the impact of uncertainty. In other words, getting things done while also sensibly managing risk.

This paper will go on to outline the three key risks it sees to the ongoing digital reform agenda; the accountability risk, the commercial risk and the efficiency risk. It will also set out a key recommendations designed to mitigate each risk before bringing them together in a high-level vision for GDS’s future.



# THE GOVERNMENT DIGITAL SERVICE

## The accountability risk

This paper started with a short look back at the remarkable achievements of GDS. Very few of these would have been possible if it had not been able to combine the ability to advise departments with the authority to control their activities. This control ensured that departments executed reforms that they either didn't believe in or didn't see as priority.

The challenge is that these two functions of advice and control have now merged and blurred - GDS is now an auditor and an advisor.

Whatever the programme and whatever management methodology employed, history tells us that government IT programme failures happen. When it next happens and we look back from its expensive wreck, we'll see that the spending was authorised and monitored by GDS who also dictated the approach and dominated the working environment.

We'll see that as the approach set by GDS started to fail, they committed more of another department's money to try to rescue it. The department will have taken comfort for too long from the approval of GDS and there will be no independent body to say, "stop" before it was too late. We'll then wonder how we could have allowed this to happen.

Accountability is the key to risk management and accountability must always be with the department that holds the budget and is mandated with the service delivery.

A strong centre is an effective tool for alignment. It is right that the centre should have clear policies. It is right that spending should not be approved where it falls out of that policy and it is right that adherence to policy should be continually monitored. However, that monitoring necessarily requires distance and objectivity. It is therefore essential to separate the control function from the advisory function.

To do this, GDS should look to the Major Projects Authority (MPA) for a good operating model. While GDS focuses on embedding quality staff within programmes, MPA pursues more formalised and documented processes. To meet with MPA approval, departments must undergo an independent assessment and evaluation process known as a Gateway Review. Gateway reviews are documented, well-publicised, updated regularly and supported by a large number of qualified assessors. Performance against this process is documented and tracked as are improvement recommendations.

Whilst MPA has the same ability (and inclination) to stop funding and close programmes as GDS, responsibility for day-to-day delivery sits clearly with the department. MPA has no conflict of interest and there is no blurring of accountability. In the event of programme failure, it is the delivering department that is responsible.

### RECOMMENDATION 1

GDS should separate its controls function from its advisory function. Its controls function should be aligned to the Gateway Review process and integrated within that structure.



# THE GOVERNMENT DIGITAL SERVICE

## The commercial risk

Government procurement processes are undoubtedly onerous and don't sit well with a delivery-focused organisation like GDS. For this reason GDS has been a driving force behind the creation and adoption of several new commercial frameworks.

SPRINT2, G-Cloud and the Digital Services Framework have all found favour with GDS because they are relatively simple to use and support the creation of a network of SME suppliers. These frameworks are also more geared towards the procurement of inputs than more traditional outcome-focused procurement approaches. For example customers are able to buy "X" man-days of coding capability or "X" terabytes of storage, etc.

The result is that spending either directly or indirectly controlled by GDS is largely concerned with the purchase of inputs. This means that the direct interest of the supplier-base in projects achieving their outcomes is reduced. So long as they continue to supply the inputs they're contracted for, they will continue to receive payment. This can limit supplier-led innovation.

While risk cannot ever be outsourced entirely, when procured properly, it is possible to create commercial and contractual incentives that align the aims of suppliers with the aims of the customer. It is this alignment of incentives that should be the primary objective of any commercial exercise, not simplicity, speed or even support to SMEs.

GDS is a digital policy and delivery organisation. It should not be committing its valuable resources to commercial activities that are not their specialism. The Crown Commercial Service (CCS) is recently transformed and service-focused. GDS should take advantage of this resource and look to CCS to manage all commercial activity on its behalf. Not only would this help GDS maintain focus, but it would also be an excellent opportunity for CCS to show that it can meet the needs of a dynamic buying organisation like GDS as well as the customer departments at the sharp-end of service delivery.

### RECOMMENDATION 2

GDS should step-away from all commercial activities and look to The Crown Commercial Service (CCS) to provide all commercial support to its aims.



# THE GOVERNMENT DIGITAL SERVICE

## The efficiency risk

GDS's plans to have 425 Civil Servants and 210 interim staff this year. Is this the right amount? Is this meeting the needs of the government departments or is this excessive? Are they the right staff? Are they being paid enough? Do they have the appropriate skills? Which are the most important to retain within the public sector?

Ask the leadership of any consulting business about their hardest choices and it will always be about staffing. When do the benefits of increasing headcount outweigh the risks of increasing the cost base? Consulting firms that get it wrong quickly fail, so the ones that survive tend to be good at managing it.

The problem with government organisations is that, by their nature, they never fail. They simply get more expensive to run and this increased expenditure inevitably gets framed as "the cost of doing business". This paper has no evidence to suggest that GDS is too big or too expensive to achieve its aims. The problem is that there is no way of knowing if it is the optimum size or make-up either.

GDS is not just a monopoly provider of digital advice to government departments. It is a monopoly provider that, through its controls mandate, government departments are forced to use. As a result, GDS can impose as many or as few staff on any given project as it wishes. It faces no market pressure and is able to pass-on all business costs to departments as part of its controls function.

GDS is a highly capable organisation with a strong brand and unparalleled experience of delivering digital change across government. It is the view of this paper that demand for its services far outstrips its current capacity.

There is no reason why the advisory arm of GDS needs to be protected by monopoly status. To maintain efficiency, effectiveness and to facilitate rapid growth, it should be allowed to prove its value by teaming-up with the private sector and competing for work against other providers of digital advice and support.

### RECOMMENDATION 3

The advisory part of GDS should be allowed to grow and improve by teaming-up with the private sector and competing for the support it provides departments.



# SUMMARY

The excellent activities of GDS and broader Cabinet Office reforms have made good progress but run the risk of blurring accountability across government.

This must be addressed by separating the controls function of GDS from its advisory function. The controls function should be integrated into an established control methodology such as the Gateway Review process from where it can continue to independently define and enforce policy across government.

Any ongoing commercial activity that currently sits within GDS should be transferred to CCS. The remaining element of GDS should then be concerned with the provision of advice and support to government departments only. This should be allowed to grow and improve through partnerships with the private sector and competing for work.

Done correctly, these reforms will enhance the strength of policy development and control while ensuring that advice is provided independently and efficiently by a market strengthened by the addition of the GDS advisory team.



Contact Details - Please get in touch for further information relating to this report

Name	Role	Contact
Andy Mahon	Partner - Head Of Government Consulting	+44(0)113 290 6150 +44(0)7904 669518 andy.mahon@bdo.co.uk
Jack Perschke	Director - Head of Central Government Consulting	+44(0)7870 555294 jack.perschke@bdo.co.uk

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