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1. SoS

From: Martin Bellamy
Pensions IS Director

Date: 16 February 2007

Copy: Janet Grossman√
Acting Chief Executive
Permanent Secretary√
Ministers
Special Advisors
ET
PSMT
See attached list

Use of the Customer Information System as a shared, cross-Government asset

Issue: Use of CIS as a shared, cross-Government asset

Action: To note the current position, agree in principle to the way forward and approve the next steps

Timing: In advance of the Ministerial Steering Group meeting on 21 February

Summary

This submission recommends that you agree in principle to the way forward and approve the next phase of the work on the feasibility study into the use of the Customer Information System (CIS) as a shared, cross-Government asset:

- in support of the **Home Office Identity Scheme** and the **National Identity Register (NIR)**;
- by **Her Majesty's Revenue and Customs (HMRC)** as their customer data master; and
- by **other Government Departments (OGDs), Local Authorities and public bodies** as a source of identity data.

The existing CIS programme has **no funding or headcount** cover to enable it to undertake any work beyond the currently approved scope. This recommendation is therefore subject to **formal confirmation that sufficient new funding and headcount can be provided** to undertake both the next stage of feasibility, and the investment and ongoing operational costs involved in providing the services thereafter. Our discussions with the Home Office and HMRC have assumed the principle that the additional costs incurred by DWP in supporting the other departments will be fully reimbursed by the Home Office and HMRC. We need to ensure there is clear cross-department

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agreement both on the principle and mechanism of providing DWP with the funding and headcount for work undertaken, and on the scale of the costs involved before the next phase commences.

The submission states the position to date and explains that there are a number of **risks** and **issues** to overcome before we can take the work forward. This is pioneering activity and therefore there are no precedents for us to follow. The significance of the work and the level of investment required mean that a commitment now is effectively irreversible. However, the submission also explains the **positive benefits** to DWP of continuing with this work.

Background

1. [REDACTED] submission of 30 October 2006 (copy attached) explained that a joint team of DWP and Identity and Passport Service (IPS) officials were to carry out a feasibility study into the wider use of CIS in support of the Home Office Identity Scheme and the NIR. In addition we have been working with HMRC officials concerning the use of CIS as their customer data master.
2. [REDACTED] further submission of 6 December 2006 (copy also attached) said that so far the feasibility study had not discovered any issues that would prevent this use of CIS. However, work was ongoing to evaluate in depth any risks involved and determine the costs and benefits across DWP, IPS and wider Government and Local Authorities before we could recommend with confidence this use of CIS.
3. The review has been a broad study and has looked at whether there are any major reasons why we should not permit the use of CIS in this way. We are conscious that there is more detailed work to do but want to update you on progress so far and secure your agreement to the work continuing, pending a further submission in which we will finalise the position.
4. Ministers from DWP (James Plaskitt), HMRC (Dawn Primarolo) and Home Office (Liam Byrne and Joan Ryan) are due to meet on 21 February to receive the report from the feasibility study.

Current involvement of Other Government Departments (OGDs)

5. As well as DWP and the Northern Ireland Social Security Agency, CIS already services a number of OGDs. These include HMRC and the Home Office (the two main Commissioners), the Driver and Vehicle Licensing Agency (DVLA), the Department for Constitutional Affairs and the Legal Services Commission. CIS also services the 409 English, Welsh, Scottish and Northern Irish Local Authorities and their staff working from home.

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HMRC's position

6. HMRC are intending to use CIS as their master source of customer information. Their specific requirements include:

- extending the current CIS on-line tracing facility to a greater number of users;
- expanding the current customer base to include people without a National Insurance number; and
- data cleansing and improving the quality of the data held on the system.

The Home Office's position

7. The Home Office has asked that CIS be used to support its Identity Scheme and the NIR. The NIR is made up of three key data items, biographic, biometric and information security. IPS approached DWP last year and asked for assistance in determining whether CIS and its surrounding infrastructure could be used to deliver the biographical element of NIR.

[REDACTED]

[REDACTED]

Advantages

9. There are advantages to DWP, OGDs and Local Authorities in using CIS as a shared cross-Government asset:

Cost sharing

10. If we are able to share the future costs of CIS it will be more cost efficient for all Departments, including DWP, rather than individual Departments proceeding in isolation. However, the infrastructure needed to support all users is likely to be more expensive and the total operating costs could be high.

Data quality improvement

11. The 'Gold Standard' identity verification of the NIR and greater usage by non-benefit related activity will improve the quality of personal data held by DWP. Earlier notification of changes from HMRC sources will also benefit DWP as we have a shared customer base.

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Cross-Government co-operation

12. The Varney report¹ on transforming the delivery of public services looked in particular at how the channels through which services are delivered can be made more responsive to the needs of citizens and businesses. Sir David Varney said 'there are opportunities to deliver better public services through joining up service provision across the public sector'.

13. Using CIS as a shared cross-Government asset puts DWP in the lead in the Transformational Government Strategy and cross-Government co-operation. Sharing CIS supports some of the Government's most important strategic goals such as joined-up Government and the re-use of assets. It allows the release of efficiencies across the system and supports delivery that is more focused on customer needs.

Risks

14. Moving to a shared service is not risk free, but we believe it is appropriate to recommend going ahead with the next phase. The main risks concern the level of resources required to do the work and the intense pressure the Department is under to meet the headcount challenge from March 08. We also need to ensure that by acceding to requests from OGDs we do not allow DWP's future requirements to take second place, for example enhancements to support the Customer Insight and 'DWP MyAccounts' capabilities described in the Business Strategy.

15. A full list of the main risks involved is at Annex B.

The Commercial Approach

16. The Department is running a competition through its UNITY framework agreement to identify a supplier capable of delivering Employment and Support Allowance (ESA) and a range of future DWP requirements including CIS. This approach is consistent with EU Procurement Regulations and Public Procurement Guidelines. The Request for Proposal was issued on 2nd February 2007 and the Department is expecting to select a supplier by June 2007. The operation of CIS is currently contracted to EDS. Extending the scope of operations to include other departments may create some risk of procurement challenge, which is likely to increase the wider the use of CIS. This risk is currently being investigated.

Funding and budgetary approval

17. The existing CIS programme has no funding or headcount cover to enable it to undertake any work beyond the currently approved scope. Our discussions with the Home Office and HMRC have assumed the principle that the additional costs incurred by DWP in supporting the other departments will

¹ 'Service Transformation: a Better Service For Citizens and Businesses, a Better Deal for Taxpayers', published on 6.12.06

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be fully reimbursed by the Home Office and HMRC – however we are yet to obtain formal confirmation that this principle is fully supported by the other departments. Additionally we need to achieve consensus on the scale of costs that DWP is likely to need to incur. It will also be necessary to agree a delegated spending authorisation process to DWP to enable the pace of decision making needed to achieve desired timescales.

Governance

18. We propose joint governance in a Commissioner-Provider model where IPS, HMRC and DWP are Commissioners of CIS development and DWP is the Provider. We are currently developing the fit with existing DWP governance arrangements but expect these to remain the standard with escalation where necessary to the proposed governing bodies. This will ensure the safeguarding of DWP interests.

Technical and Security

19. CIS was designed to be expansible but we need to procure the appropriate extra hardware infrastructure, make the necessary software changes to increase its capacity to the level required and understand the capacity milestones. There is also an issue over Data Centre suitability and the Department is currently considering its Data Centre strategy. At present this is just an intention, not a firm plan or commitment but a decision to go ahead with CIS will make it a imperative.

Organisational capability to deliver a shared service

20. The proposed use of CIS will require DWP, in many respects, to perform the role of an IT services company. This will require the development of new capabilities in order to support other departments effectively. Additionally, to achieve this cross-Government service we are investigating ways of increasing our system development capacity and upgrading our operational capability.

Next steps

21. These are the broad activities for the coming months. More detail is provided in Annex C. The next phase will require a significant increase in DWP and Supplier resources working on behalf of other departments.

Feb	Ministerial approval
Mar	Confirm governance arrangements
Mar/Apr/May	Supplier selection and project start up
May/June/Jul	Analysis and planning
Jul/Aug/Sep	High-level design
Aug/Sep	Preparation of plan and business case, mobilisation of the next phase
Sep	Further ministerial meeting to approve moving into build stage.

Summary

22. The work completed to date by our teams has proved valuable in demonstrating that there are no apparent showstoppers, but there is clearly a way to go before all parties have a full understanding and everything is in place to facilitate success. There are many risks involved and this work takes DWP into new territory that is pioneering for Government, setting up the first cross-Government shared service of its kind. Initiating the next phase will require a significant increase in DWP resources on this initiative. We need to ensure there is clear cross-department agreement both on the principles of providing DWP with the funding and headcount for work undertaken and on the likely scale of the costs involved before the next phase commences.

23. The significance of CIS in the Home Office and the resourcing and major level of investment required means that we can only go into the next phase of development if we are sure we have sufficient flexibility around budget and headcount. If we commit, our decision is effectively irreversible; we cannot then decide not to support Home Office and IPS requirements.

Recommendation

24. Subject to agreement from the other departments on the principle and mechanisms to provide the funding and headcount needed for the work we will undertake on their behalf, we recommend that you agree to the proposed way forward and approve the next stage of the work as outlined in this submission.

Martin Bellamy
Pensions IS Director
Trevelyan House
30 Great Peter Street
London SW1P 2BY
0207 712 2901

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COPY LIST

Ministers

ET

PSMT

PSD Board

CIS PSC

[REDACTED]

David Blair

[REDACTED]

Bryan Horrocks

[REDACTED]

Larry McCaffery

[REDACTED]

Steve Riley

[REDACTED]

[REDACTED]

MAIN RISKS

- Opportunity costs of proceeding – by extending the use of CIS across Government we have less capacity to meet DWP's own wish list and the routine series of change requests. We need to prioritise DWP's work with that of the other organisations involved.
- Reputational risks to DWP including scheme design and security of the system.
- Resourcing – The Department is under intense pressure to meet the March 08 headcount target. CIS is a seriously challenging project and will need considerably greater resources than we currently have. It also needs us to expend our energy on the work rather than the budget and headcount issues. However, as of today there is no means of giving DWP extra headcount for this and the current assumption is that, without this work, the CIS project disbands in March 08.
- Timing – IPS is looking for their requirements to be included in the release at the end of 2008 but the issues we encounter with our own development programme, any contractual issues that may arise plus the availability of IPS and HMRC resources may affect the timing of how we proceed with CIS. The requirements phase of the project is during 2006 – 07 and we cannot delay this aspect if we are to meet our scheduled releases. We have to proceed now.
- The Commissioner-Provider model moves us from a position where we have total control of our data to one where we share the control with other users. In principle this should not present any obstacles but there is a risk that the Commissioners will not be able to act cohesively and the ability of DWP to run a functional development organisation could be impeded.
- This work is leading the way for DWP to perform the role of an IT services company but the Department does not have the required capabilities to do this at present. We will need to build these quickly and there is a risk that we will not be able to build a complete set of capabilities in the required time.
- There is a possibility of decreased data security and quality. We do not believe this will be the case but allowing shared use of our data opens up access to a large user community in various locations. The intention is that the system will be secure but the risk increases with an increased user capacity.
- The complexity of what remains on the original CIS programme, for example the decommissioning of legacy systems. The programme is already five months behind schedule and, although we are doing all we can to prevent this slipping further, the delays have worsened over the past 2 months.
- The operation of CIS is currently contracted to EDS. Extending the scope of operations to include other departments may create some risk of procurement challenge, which is likely to increase the wider the use of CIS. This risk is currently being investigated.

FURTHER DETAIL ON NEXT STEPS

Detailed areas of work

1. Planning the implementation stage including production of a consolidated project plan across all DWP work streams, the business case, and funding and headcount requirements.
2. Building stakeholder support across DWP, securing headcount and developing project organisation and capabilities.
3. Developing the joint governance structure in a Commissioner-Provider model, to include a Memorandum of Understanding and definition of the relationship with the existing DWP escalation bodies – Investment Committee and Change Delivery Committee.
4. Business architecture
 - Scheme design and how this fits with DWP business architecture
 - Discussion with all DWP businesses and other business stakeholders on the effect on their processes
5. Defining precise requirements and high level design and integrating the design authorities.
6. Developing a strategy for development capacity including joining up design teams in DWP with OGDs and re-engineering the test services currently provided to DWP under the EDS TREDSS contract to make them suitable for cross-government use and long term support.
7. Understanding the organisational implications for the Pensions IS/IT Directorate and building new capabilities in relationship management, product management and service management.
8. Establishing cross-organisational service delivery management, including establishment of support arrangements with monitoring and escalation paths suitable for all stakeholders and ensuring that our data centres are up to standard for cross-government service.
9. Supplier management including selecting and confirming the supplier and establishing the contractual and working arrangements to minimise the potential for delay or poor quality work, at the same time ensuring that our commercial footprint is broad enough for future needs.
10. Establishing a funding regime including provision for feasibility funding, arrangements for funds transfer, reporting and reconciliation and arrangements for joint responses to audit bodies.