The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 5 October 2011

Session 4

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FINANCE COMMITTEE
6th Meeting 2011, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Alex Johnstone (North East Scotland) (Con)
*Derek Mackay (Renfrewshire North and West) (SNP)
*Margaret McCulloch (Central Scotland) (Lab)
*John Pentland (Motherwell and Wishaw) (Lab)
*Paul Wheelhouse (South Scotland) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

John McClelland

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Committee Room 4

Scottish Parliament

Finance Committee

Wednesday 5 October 2011

[The Convener *opened the meeting at 10:00*]

"Review of ICT Infrastructure in the Public Sector in Scotland"

The Convener (Kenneth Gibson): Good morning, everyone. It has gone time, so I welcome everyone to the Finance Committee's sixth meeting in 2011. I ask all members and everyone else present to turn off their mobile phones, pagers and other devices.

We have no apologies from committee members, but our committee clerk, Jim Johnston, has given an apology because his wife, Emma, has given birth to a beautiful, bouncing baby girl called Lucy. I am sure that all members congratulate Jim. After two or three weeks, I am sure that he will be only too glad to rejoin the committee.

Our only agenda item is evidence from John McClelland CBE, whom the Cabinet Secretary for Finance, Employment and Sustainable Growth invited to review information and communications technology infrastructure in the public sector in Scotland. Mr McClelland published his report in June and the Scottish Government's response was published on 21 September.

I welcome Mr McClelland and invite him to make an opening statement.

John McClelland: As the convener said, the report was published in the middle of the year. It was produced after extensive review, consultation and work with the public sector in Scotland.

I will make a few comments on the review's remit, although I know that the committee has that in detail. I emphasise that the scope of the technology that the review covered formed a pyramid from broadband upwards to every aspect of software and hardware and into the use of mobile technology. In that sense, the review was intended to be comprehensive.

From an organisational standpoint, the review extended horizontally across the public sector, which I categorised into five sectors in my report. I treated the Scottish Government, its departments and agencies and non-departmental public bodies as one unit, and the other units were the health service; local authorities; universities and colleges; and the police and fire services—the emergency services.

The report commented on ICT's benefits, which fall into two important areas. Perhaps the more traditional purpose is supporting internal efficiency, enabling productivity and supporting the operations of public sector enterprises and bodies effectively. The second purpose, which is very important and perhaps offers the public sector a unique opportunity, is improving service quality and in particular access to services through the use of ICT. The two areas, then, are efficiency and productivity, and quality and access.

In the report, I included a short vision for what I classified as a digital public sector. I emphasised that that should be citizen driven, should respond to citizen needs and expectations and should be citizen-centric. A citizen is also a patient and an employee, and businesses are part and parcel of using and receiving public services.

I also emphasised that, in certain areas, it is very important that the services using ICT are seamless across the various categories of the public service. In some emergency situations, having information that crosses sectoral boundaries is vital. For example, in situations involving vulnerable children, it is important that the police, social services and the health service have quick access to the same data.

I focused on two dimensions of the landscape: the adoption of ICT, and how ICT capability is being deployed. On adoption, I concluded that, probably because the public sector started a bit later, and maybe for a few other reasons, it is a bit behind the private sector, although that is a generalisation. On deployment, as I said in the report, I was disappointed to find that there is not enough sharing of ICT capability within and across parts of the public sector.

Although I said that adoption was a bit behind where I might have expected it to be, there are a growing number of exemplar ICT operations—exemplar in the sense of using not just existing technology but new technologies to make a big difference to services and productivity. A typical example of that might be using smart homes technology to support the care of elderly and other vulnerable people at home. That is used extensively by some local authorities but not by all. There are examples of where individual organisations have led on introducing or supporting services using ICT. I called those islands of excellence—I will return to that point later.

The professionalism of ICT staff and the resourcing of ICT organisations seemed to be excellent. There are a large number of very talented people who are dedicated to supporting their organisations in a highly professional manner.

My concern about deployment was that the ethos, or the prevalent mode of operation, is stand-alone self-sufficiency of individual organisations with an insufficient level of sharing across the sector and its sub-sectors. For example, there are more than 140 data centres in the public sector in Scotland. Whether from a financial or a sustainability standpoint, the capability that currently exists in communications technology allows organisations to be unique in what they do while sharing data centres.

I looked specifically at broadband. Within the overall spend of what I estimated to be £1.4 billion per annum, close to £200 million is spent on communications, including broadband. There are only a few providers, as you would expect, but the public sector has more than 150 separate contracts for communications services with those few providers. A large part of the £1.4 billion—£875 million in my estimation—is spent externally, so it is an activity for which there is a very high level of dependency on suppliers.

The ICT industry is shrinking as the number of suppliers reduces through consolidation and merger but, nevertheless, the scope of what it offers is still growing at the same fast rate. If anything, it is accelerating as ICT becomes prevalent in every aspect of our lives. It is a growing and capable industry and, in my opinion, we in the public sector do not take as much advantage of its experience and capabilities as we could.

At the same time, we do not bring the spend together in an aggregated way to take advantage of the significant purchasing power that exists. Some 80 per cent of the £875 million is spent with 6 per cent of the suppliers. By corollary, the other 20 per cent is spent with 94 per cent of the suppliers. There is a concentrated spend pattern. In particular, there is a willingness—in fact, a desire—among all suppliers to engage with the public sector in a different, less fragmented way in future. They are very comfortable about that strategy being pursued.

I found that our small and medium-sized enterprises in Scotland are particular unhappy. The best ICT SMEs are particularly unhappy about their inability to access the public sector, either by being able to compete for traditional business or, even more relevantly, by having the opportunity to demonstrate that they can bring innovative technologies and capabilities to the public sector. It is not always the case, but innovative and new techniques and technologies often come from smaller companies. Those companies are looking for an opportunity to be part of a communication chain that allows them to introduce technologies to the users and buyers in the public sector.

There are issues and opportunities. The prime opportunity is to share more and, in particular, to bring together and rationalise some of the fragmented activities that we have in the public sector. I recommended this principle for the order of priorities: reuse, buy and make. In other words, we should start by reusing and extending existing investments; if that is impossible, we should buy them; and the last step for priorities should be to develop ICT capability internally, particularly if it is for a single organisation.

I projected that, if my recommendations were accepted, the savings would begin with a £50 million saving in 2012-13, growing over five years to up to £1 billion and, in particular, to include not only savings in the approaches to the procurement of technology but savings associated with refining and sharing a lot of the internal capability that exists.

I also recommended new governance structures. It was fairly obvious to me that the stand-alone self-sufficiency mode is probably a natural option given that there is a lack of governance at a sector level. For example, local authorities do not have a central oversight activity for ICT. The health service has that oversight, but I recommended that it could be improved on. The colleges and universities and the central Scottish Government, its agencies, NDPBs and departments have partial governance systems, and I recommended that they be extended.

10:15

I also recommended that there be a Scottish public sector network, which would bring together primarily the broadband activities of the Scottish public sector. That would provide a more effective way of managing the network. Recently, there have been similar developments in that area in Wales and work has been done at a United Kingdom level, particularly on standards, protocols and techniques that are associated with a large network of networks, which is how the UK approach would be described. It would also save the cost of running 150 separate networks. Further, it would support the opportunity to ensure that digital connectivity and broadband access are available across Scotland, particularly in rural areas, where the challenge in terms of technology and investment is greater.

I made the point that it is of great value to pursue a sharing approach for ICT in the public sector in Scotland, at an individual sector level and at a national level. In the work that I did, the absence of shared ICT came up as one of the factors that inhibit the general sharing of services—organisations find it difficult to share the traditional back-office functions if they do not have some sort of common or shared ICT platform.

The savings opportunities that I have scoped are solely from ICT, but I believe that shared ICT would support the opportunity to have more shared services in other parts of the public sector. In particular, it would support the ability to connect islands of excellence so that the best can be made of the exemplar-type activities that have gone on and organisations can take advantage of their peers' investments.

I am not recommending that there be a huge additional investment programme in ICT; I am talking about taking what we spend and using it to ensure that we do what we do an awful lot better, rather than starting again with a clean sheet of paper and spending huge amounts of money over a long period of time.

The Convener: One of the reasons why we were keen to have you here—it was great that you were able to come at relatively short notice—was to do with the figure of £1.4 billion that we heard about two weeks ago, when we took evidence from the Auditor General for Scotland. We were astonished by that amount. Clearly, there must be room for considerable savings in that.

In its response to your report, the Scottish Government said that it has saved £32 million in information technology procurement since 2008 and will save £18.1 million in e-planning and £35 million in the criminal justice system, over a decade. However, you are obviously much more ambitious and feel that much more can be delivered.

A structure has been set up, involving the public service reform board and the McClelland national oversight board, which are Cabinet sub-committees. What more can and should the Scottish Government do to deliver the kind of savings that you are talking about in the timeframe that you are talking about?

John McClelland: As you say, the Government has already started to form the structures that I have recommended. It is important that those structures are formed as quickly as possible and that the strategies are developed within the timeframe that I have indicated. The next step, which is crucial, is ensuring that there is the necessary capability and the teamworking capacity at a national level and a sectoral level to implement the strategy. Implementation will be a challenge, not so much from a technical point of view, although that will be difficult in some areas; it is extremely important that there is the will to implement the strategy and to deliver the savings. All the public sector stakeholders need to continue to demonstrate the leadership that is needed to ensure that implementation happens. The strategy, acceptance of what is needed and the creation of the structures are important, but implementation will need continuous monitoring and pushing over a number of years.

The Convener: I believe that there was a high-level meeting of chief executives of public bodies on Friday to look at how the process can be taken forward. Is there the necessary level of commitment to doing that?

John McClelland: Yes, there is. When I worked on the report, I was delighted to find that there is not only a commitment to the use of ICT—we might have expected that there would be, but we cannot take anything for granted—but a recognition that the traditional model is just not fit for purpose for the future. That sentiment was evident when we met last week.

The Convener: Broadband features in your report. You said earlier that it is extremely important at the moment. Many of us have constituencies in parts of which broadband remains a considerable issue. Would you like some of the savings to be put into broadband to enhance connectivity?

John McClelland: The broadband approach is still being worked on—I believe that it will be formalised early next year. A number of different dynamics cut across the area, one of which is that there is a relatively small number of suppliers of broadband. In other words, there are some key large players in the field. Secondly, as I mentioned, if we aggregate the spend for what is provided to the public sector, it approaches £200 million per annum. In addition, there is the rural issue, which I think is what you referred to, and the additional investment that is required from those suppliers to provide even broadband services across the country.

I suppose that I am saying that the new approach involves different dynamics. First, we would expect savings in broadband alone—leaving aside the other areas of ICT spend—from aggregation. Secondly, within the overall contract, exceptional expenditure might be required to service particularly rural areas or to come up with new technology approaches for rural areas. The third strand is the industry's ability to respond to the concept of a national network that is linked to a UK national network, in the sense of having the same protocols and standards.

There is the UK dimension and UK funding; there is public sector aggregation; and there is the rural issue. I think that those factors will allow us to come together into one contractual arrangement.

The Convener: Thank you very much. I will open up the questioning.

John Mason (Glasgow Shettleston) (SNP): Your report is positive and even optimistic in the timescale that you give for how quickly things

could be put in place. Is there any downside or risk to all this? We have all heard about nightmare scenarios, when ICT projects went horribly wrong—I think that that happened in the Identity and Passport Service. I presume that the more eggs we put in one basket, the greater the danger of mistakes being made that cause a problem for all 32 local authorities instead of just one authority. Is that a risk?

John McClelland: The projects that have not gone well have tended to be clean-sheet-of-paper projects, in which everything was being replaced by one big system or application. In some cases, the work cost significantly more than had been planned; in others, the project was not even implemented. I am not proposing such an approach and I would not recommend that the public sector in Scotland go down that path. Therefore, risk on the scale that you talked about is not present.

I recommend a national approach in only a few areas. I have said that a sector-by-sector approach is probably best. I have not been prescriptive. For example, I am not recommending that there be one data centre for all local authorities. I expect that there is a logic that would bring groups of local authorities together to do things. There might be common procurement, for example. There are applications that all or nearly all 32 local authorities are procuring, which could be brought together. However, in physical terms and installation terms, what I envisage is more blending. I am not suggesting that such an approach is completely risk free, but there will be minimal risks.

I think that seven local authorities have come together to share work and services through the Clyde valley project. Good planning and implementation should minimise risk in such projects. We have been running reliable central services in the public sector in health for a long time. Of course, there is an ethos in the ICT community about backing up every capability that exists. For example, the Scottish Parliament's ICT services will be backed up somewhere else—that is part of the mantra according to which ICT operates. I think that there is minimal risk, to be honest. The question is how we capture everything through good implementation.

John Mason: I take your point about centralising procurement. The idea of having 150 contracts between the public sector and a small group of broadband suppliers, for example, seems strange. However, on the point about how SMEs can break into an area, when, for example, there has been one stationery contract for the whole public service, small stationers have felt squeezed out. Is there a tension in that regard?

John McClelland: Yes, there is a tension, which we need to manage carefully. In some areas, it is difficult to envisage there being more than one, two or three contracts; in other areas, there could be multiple contracts, on a scale that would give SMEs the opportunity to bid for contracts. I conducted a procurement review, and steps have been taken. There have been significant improvements. However, it is fair to say that not all SMEs are comfortable with everything that has been done in the context of the subdivision of tenders.

In ICT, the best way of dealing with the issue is by providing SMEs with the opportunity to demonstrate their capabilities at the pre-tender stage. I know from experience—wearing a commercial hat—that the issue is often that users do not ask for capability because they do not know about it.

The breakthrough, which I have recommended for procurement in general, although it is particularly appropriate for ICT, is for industry representatives, and SMEs in particular, to meet user intelligence groups outside the procurement cycle, so that users understand not only what is available but what is coming through the technology pipeline. For SMEs, greater access to the decision makers who decide on the specifications for procurement tenders is far more important than any other aspect.

10:30

Margaret McCulloch (Central Scotland) (Lab): Good morning. I want to ask a question from the patient perspective. You talk about merging the information technology systems for different local authorities, but people often forget about the patients or those such as doctors and nurses who will have to use the system. Will there be a facility for patients to do basic things such as make an appointment online or send and receive e-mails for repeat prescriptions? Trying to get appointments seems to be a block in the system for people, so a facility for doing that online could be really effective.

John McClelland: I agree with that. In the vision that I included in the report, I highlighted that citizens and patients should be able to make a doctor's or hospital appointment online—in effect, to conduct all those access-type transactions online. They might not be compelled to do so, but they should have that opportunity.

Among the various parts of the public sector, the health sector is probably the most advanced in the use and sharing of ICT. For example, there is an emergency care system that is available to multiple organisations, which is run centrally and works very well for patients in emergency

situations. However, the health service would concede that it still has work to do in the area of access and performing transactions online. A couple of pilots have recently begun to trial giving people the opportunity to make doctor's appointments online. That is a very important area.

Paul Wheelhouse (South Scotland) (SNP): Good morning. You mention in your report that 60 per cent of the cost of ICT infrastructure and servicing is in the private supply chain. Did you assess while collecting your evidence how much of that supply chain is based in Scotland? The desire for efficiencies may result in private sector employees not having that work, so I want to gauge the possible scale of the impact on the private sector supply chain in Scotland.

John McClelland: I did not cover that particular point. The impact will vary from supplier to supplier and from commodity to commodity. I have in the past run operations in Scotland for two multinational companies. In general, the hardware is not manufactured in Scotland, but much of the software production and certainly a great deal of the hosting—not all of it, but a significant proportion—are based here. However, I do not have detailed information on that.

I mentioned in the report that 80 per cent of the value is spent with just 6 per cent of the supply base, which is about 230-odd suppliers. There are 4,000 suppliers to the public sector in Scotland and many of those are Scottish companies and SMEs. However, I cannot give a precise statement about how much of the spend is made in Scotland.

Paul Wheelhouse: Software licence costs are a bugbear of mine. How much of the ICT expenditure per annum is going on licences for off-the-shelf products such as Microsoft products? Is there any scope for making savings by using open source software? I have not checked this because I heard about it only last night, but I believe that the Open University does not use any Microsoft products and has switched en masse to using open source software. Is there scope for more use to be made of that throughout the public sector?

John McClelland: I believe that some of the savings that the convener mentioned earlier come from engaging with and negotiating better licence prices from some of the large multinationals.

I should have made the point that one of the particular challenges for procurement—I was very keen that this was not just a procurement exercise—is that it is difficult to approach the ICT market if there is no orchestration of the infrastructure behind the procurement. Without naming companies, I would say that in some cases there are opportunities, simply through better negotiation and higher value being associated and aggregated with what might be called some of the more traditional licences.

There are, however, probably bigger opportunities to bring together the approach to many of the common applications that are used not only in the public sector in Scotland but across the UK. Many specialised applications might or might not be used under a licence-style arrangement and they could provide a large opportunity.

Paul Wheelhouse: Thank you.

Derek Mackay (Renfrewshire North and West) (SNP): Mr McClelland, you said that you were disappointed by the level of ICT sharing. I do not want to disappoint you further, but you mentioned the seven local authorities that are working together in the Clyde valley. We are now down to three local authorities, perhaps three and a half when another council makes a decision. So the willpower and leadership that you were talking about earlier does not seem to follow through to the actual programmes. Do you have any further suggestions about how we can encourage councils to share services?

More specifically, you mentioned that the lack of a joint ICT service can be an inhibitor to shared services, but councils do not necessarily have to be sharing a service to share ICT capacity. Could you comment on that?

John McClelland: I will take that last point first. Councils do not need to have shared services to have shared ICT, but shared ICT certainly helps them to move towards shared services. I agree with that completely.

My expectation is that the local authority sector will create the oversight and governance mechanism that I recommended—or a similar one; I have recommended that elsewhere. I then expect them to develop an ICT strategy, within which I hope that there will be some rationalisation of the best approach in terms of the geographical opportunities that the Clyde valley offers.

Some of the work on cross-sector sharing comes from the work done by the Improvement Service, which, as the committee probably knows, is a local authority-wide body operating under the umbrella of the Society of Local Authority Chief Executives & Senior Managers and the Convention of Scottish Local Authorities. It has a big role to play in helping the board or committee that will be formed to orchestrate the best solution.

On that specific project, it strikes me that demonstrating the effectiveness of shared services and ICT in some local authorities will not only be useful in itself, but act as a pilot for similar practices elsewhere.

There could be a number of solutions to the issues around the local authority ICT opportunity, and sharing services at some sort of regional level is one of them.

The Convener: John McClelland has a question.

Members: Pentland.

The Convener: Apologies—John Pentland has a question. A Freudian slip. There are three Johns in the room.

John Pentland (Motherwell and Wishaw) (Lab): I am delighted to hear that you are approaching this issue on a sector-by-sector basis. I am also glad to hear that delivering your recommendations will not require a huge investment. However, given that technology is changing every day, how will local government find the investment that will be required to keep up with that, at the same time as making the efficiency savings that you have identified in your paper?

You said that the implementation will be difficult. Page 40 of your report has a number of bullet points on that issue. Could you give us an update on where you are in relation to them?

John McClelland: On the issue of sectoral sharing and the associated investment, I am saying that, rather than starting again, the members of that sector—which could be health boards, local authorities, universities, colleges or whatever—seek to identify the best solution that is currently being used and pursue the adoption of that solution. In other words, best practice should be reused and spread.

In many areas, there have been quite recent investments, which means that, in many cases, the best practice will be quite a recent investment that is being reused elsewhere. In some cases, the investments will have become dated due to the emergence of new technologies, applications and capabilities. Investment will be required in those cases. However, I advocate that, rather than 32 local authorities investing separately—or 18 health boards, 19 universities or whatever—the members of the sector combine their investments. There is an opportunity not only to connect the dots between the islands of excellence but to share investments, which will produce savings.

There will certainly be an opportunity for individual organisations or consortia either to capture those savings or to continue to invest the same level of spend in ICT. Whichever they choose to do, there will be savings in the operating costs by connecting existing capability, and there will be savings in expenditure and installation costs if they can combine and share new investments.

John Pentland: Could you give us an update on where you are in relation to your implementation proposals?

John McClelland: The national health service has an existing sector oversight board and is working on slight modifications to it. As I understand it, the universities and colleges board will have its first meeting in the next few weeks. I think that the local authority board is the subject of discussions between local authorities, SOLACE and COSLA, but I cannot give you a more specific answer on that one.

The completely new activities would be the local authority board and the national board, which has been formed. There is also an industry advisory board. In my report I recommend that industry and the public sector work together more closely and that the public sector takes more advantage of industry experience and inputs such as I have suggested for SMEs. The Scottish Government is awaiting nominations for membership of the board from the industry groups.

10:45

Margaret McCulloch: Joining up all the different areas with ICT is a great idea and it is great that savings will be involved.

The Finance Committee wants to push preventative spending and early intervention, on which quite a few of the regions and areas are doing really good work, but in isolation. When the ICT system is implemented, will there be a facility to capture the data on those good practices so that we can look at what is happening in each area and show what outcomes were before the interventions and what they are after the interventions? That way, the committee or the Government could look at cascading those interventions nationally.

John McClelland: A programme plan for a series of activities is being created as a consequence of the review and the Government's response to it. My expectation is that there would be regular reporting to the public services reform board of the progress being made, with a before-and-after snapshot being provided.

On best practice, I mentioned the professionalism of the ICT community in the public sector in Scotland. Nowhere is that more obvious than in the Society of IT Managers, which takes an absolutely outstanding approach to benchmarking and the sharing of best practice. I have recommended that that approach be not only sustained in local authorities but extended into other areas—this could be about customer or citizen satisfaction or the cost of running the service—so that we can see where best practice is not only perceived to be good subjectively but

shown to be delivering well through the statistics. The Scottish Government ran a workshop for the whole public sector on that just a few weeks ago. There seemed to be an enthusiastic response to the idea that more advantage should be taken of information in this area.

Margaret McCulloch: So if a general practitioner had a lot of patients suffering from depression and wanted to find out what initiatives he could implement to try to help them, would he be able to access the system to get information about what was happening in other areas and how effective those ideas were?

John McClelland: To be candid, I am not sure whether there would be a patient confidentiality issue there. I know that an important part of the health service and GP ICT infrastructure deals with some of the confidentiality aspects. Certainly, given some of the quite sophisticated systems that have been and are being installed, such as the new patient management system and new GP ICT systems, I am sure that the data is there. The question is—I am sorry that I cannot answer it—how it can be brought together to report on patient status and information. There is a database and I know that there is a lot of reporting by the health service, but I do not know whether it is conditioned by condition, if you know what I mean.

Paul Wheelhouse: I declare, as per my entry in the register of members' interests, that I have done a considerable amount of work for the Scottish funding council in the past, including merger due diligence studies.

On pages 53 and 54 of your report, Mr McClelland, you talk about the landscape of universities and colleges. I am aware of your involvement with the Scottish funding council. Can we make good use of your time here to get your assessment of the £150 million spend on universities and colleges? To what extent can savings be made within that heading? Funding for universities has done relatively well in the spending review, but there is some pressure on colleges. How much scope is there in the spend within the college sector for savings that might offset other financial pressures?

John McClelland: I expect proportionate savings at the macro level for universities and colleges, in absolute terms. There might be some variation in that. For example, colleges that are behind on ICT will save more than colleges that are ahead on ICT. The same would apply to universities. As I state in my report, universities in particular have come together to use a central UK service that the Joint Information Systems Committee provides, including JANET, which is a broadband communication service that is funded by the various UK higher education funding bodies, including the Scottish funding council. There may be some areas where savings have already been captured, but I expect there to be close to proportionate savings in universities and colleges.

I had a meeting yesterday with a group of higher education information systems directors. In every sector there are groups of professional, capable people. Those directors informed me that they had already been funded by the funding council to look at a project on above-campus opportunities in the sharing of ICT. They have developed a seven-point proposal to consider not only the sharing of procurement activities but applications. When the new oversight board for colleges and universities meets in the near future, it will have that work to lean on and—I hope—adopt as part of its ICT strategy.

Paul Wheelhouse: Do you have any empirical evidence of the benefits that have come from college or university mergers? That might provide a carrot for closer collaboration and merger, rather than there being only a stick.

John McClelland: I do not have a general statistic, but in every merger—there have not been too many university mergers but there have been one or two college mergers—part of the business plan has been a reduction in the unit cost of ICT through scale and sharing. I expect that to exist with or without any coming together of institutions, through the simple sharing of ICT.

Alex Johnstone (North East Scotland) (Con): I want to explore further the point that John Mason raised at the start. We all know that there have been some real cost and functionality ICT disasters in the public sector but, in your opening statement, you were quite complimentary about the quality and standard of ICT staff in the public sector in Scotland. Has their performance significantly improved or have their quality and standard always been reasonably high, although they have occasionally failed?

John McClelland: I have not been able to look back too far. Yesterday, I sat with five very senior ICT professionals who lead very professional ICT functions. They have been very good at developing solutions for their organisations and ensuring that those organisations are well served, but they have not come together much to create shared services, applications and data centres.

John Mason mentioned the risk factor. Most examples of disasters have occurred where too big a bite has been taken and more has been bitten off than could be chewed. That has happened in systems development activity at the national level in which investments of not just tens of millions of pounds but hundreds of millions of pounds have been involved. I believe that we have enough professionalism to bring things together

and make savings in Scotland through bite-sized projects. That is where leadership comes in. Leadership can ensure that the technical capability is harnessed. That is really what I propose. Rather than having a one-size-fits-all approach at a national or sectoral level, groups of organisations should come together and do things together.

Alex Johnstone: Will we continue to see public sector bodies using in-house solutions, or will there be an increased role for private sector contractors to work with public sector bodies to assist in delivering solutions?

John McClelland: I certainly see greater opportunities to involve the private sector in some areas. The picture is quite mixed. For example, a large part of the health service's data services capability is outsourced to the private sector, whereas a much smaller proportion of the local authority capability is outsourced. There is an opportunity to get the right blend of in-house capability and private sector use. On the use of the private sector, public sector business is often added to something of a much larger scale, and economies of scale can therefore be shared.

I am certainly not advocating a complete outsourcing approach, but there is an important angle from a public sector point of view. In the report, I estimated the number of people in the ICT profession in the public sector, and I have talked about dropping the stand-alone self-sufficiency model and moving to greater sharing. A reason why that and perhaps some outsourcing are important is that sustaining such a level of ICT resource in the public sector, particularly in these difficult times for public expenditure, would be a challenge, particularly for smaller organisations with smaller staff groups. There would be attrition. It is fair to say that professionals in the ICT industry are quite mobile. They can move around from company to company and from the public sector to the private sector and back again. Therefore, getting some sort of blend or hybrid over time would be a way of minimising risks and being able to sustain such high levels of ICT resource.

Alex Johnstone: You have almost answered my final question, but I will ask it anyway just to make sure. Are you confident that the level of skill and knowledge in ICT in the public sector is appropriate to ensure that we have the right relationship between the public sector and the ICT contractors and that, therefore, we can ensure that the two go forward hand in hand rather than by playing a game of cat and mouse?

11:00

John McClelland: That is a very good question, and I do not think that I answered it.

We have the technological knowledge, information and capability. The typical ICT director could discuss any aspect of the technology with any supplier. However, as I have recommended, it would be advantageous to bring together at the top of the pyramid in each sector a capability to interact with the industry. It would reinforce and provide leadership at a senior level and allow the ICT industry and public sector organisations to interact at the sector level. There would be a health service discussion, a local authority discussion or a colleges and university discussion as opposed to a discussion about an individual organisation. That would be not only advantageous to the public sector, but far more meaningful from the standpoint of the supplier and the ICT industry, particularly considering the seniority that would be attracted to those engagements. Working together at a higher level would be more effective than doing things separately at a lower level.

Alex Johnstone: In relation to your answer to the last question, I can reassure you that there is plenty evidence in this organisation of skills swapping between the private and public sectors in IT.

Margaret McCulloch: I have a quick question. Once ICT systems have been implemented and shared by the different organisations—colleges and universities or health boards, for example—what impact will there be on the existing IT staff? Will staff cuts be required because of the shared resources?

John McClelland: In the early years of what I propose, there would be much more of a focus on the external spend—the £875 million of the £1.4 billion—so I would not foresee any dramatic changes in staffing or resources in the short term. It is fair to say that there could be changes over a longer time, but it strikes me that natural attrition and other changes, such as the movement of ICT staff that we talked about, would probably lead us in the public sector to need to do that anyway. I do not foresee any significant staff reductions in the short term or possibly even the medium term, but I expect there to be fewer ICT staff in the public sector in Scotland at the end of a five-year period than there are today.

Margaret McCulloch: Thank you.

The Convener: Thank you for your questions, colleagues.

Mr McClelland, the Scottish Government has said that its

"eCommerce Shared Services are regarded as amongst the most successful eGovernment initiatives in Europe"

and that they

"provide a platform for public sector organisations to share content, advertise contracts, run tenders and carry out purchasing transactions electronically with suppliers."

Do you agree with that, and do you believe that it is a model that can be built on?

John McClelland: Yes, I agree with that. In fact, I would say that that project is one of the exemplars in the public sector. To some extent, it is a frustration that we can be so good in some areas and not so good in others. E-commerce, the advertising of the public sector procurements portal, the installation of e-procurement, some of the applications used in the health service, some of the technology used in smart cards and the gazetteer that is available from within local authorities—those are just a few examples of the leading-edge activity that, if we can spread it out, will make us a lot better off.

The Convener: One of the key recommendations is that

"contracts should be aggregated to build a single Scottish Public Sector Network"

to be used

"by every public sector body and university and college".

Do you have any concerns about data protection?

John McClelland: No. From a technology point of view, the network can be protected, and individual applications and access to applications and information can be dealt with from a security point of view. That is one reason why I recommended an approach that adopts some of the UK public service network standards, which include security standards. Different organisations will undoubtedly have different needs. That will be one key area of work for the Scottish public service network, but I do not see the issue as insurmountable.

The Convener: Colleagues referred to some real disasters in IT over the years, and we all recall the £12 billion that the last UK Labour Government squandered on trying to develop a national health service IT system that never saw the light of day. NHS Scotland uses a single broadband contract—N3—to connect to 3,200 premises, provide links to nationally hosted ICT systems, and support 160,000 staff and 95,000 desktop personal computers. Do you believe that something similar could work in local government?

John McClelland: I am advocating that the NHS broadband contract, a local authority equivalent and so on should come together to form the Scottish public services network. My answer is therefore yes and more, in that work could be done at a Scotland level. The interesting factor is that, whether it is the health service N3 network or the existing Scottish Government network that is run by the information services and information systems directorate, all the networks come back to the same few suppliers. There is already aggregation in some cases—at health service level and partially at the Government level—but there is no overall aggregation.

The Convener: I thank Mr McClelland for his attendance and for answering our questions in such detail. It is very much appreciated.

Meeting closed at 11:08.

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