ICT Cloud Implementation – Integrated Technology Solution

21 October 2021

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Contents

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Summary

Introduction

1. The Government Plans for 2020-23 and for 2021-24 include significant investment in technology transformation. Work required to modernise Government technology includes investment to address known cyber security risks, the deployment of Windows 10 and Microsoft Office 365 and the implementation of a number of cloud-based technology programmes. This modernisation is intended to deliver more efficient, effective and better value services and infrastructure.

2. In 2019 the first phase of a new taxation revenue management system was implemented. Further phases are planned to be implemented with the aim of delivering fully-functioning digital Revenue Jersey systems and services, to collect revenues from individuals and businesses. Key challenges were experienced in the first phase. It is important that lessons learned from this phase are taken into account in further phases and in other projects.

3. The Integrated Technology Solution (ITS) programme was launched in early 2020 and is intended to enable the Government to use modern, cloud-based systems for finance, human resources (HR), procurement and asset management.

4. The ITS programme appointed its specialist procurement partner in early 2020. This partner produced a detailed procurement strategy and assisted the tender evaluation process to appoint the ITS suppliers.

5. This review has evaluated:

    *   the first phase of implementation of the new taxation revenue management system and considered the lessons that can be learned for future projects; and

    *   the design and delivery of the ITS programme up to the end of August 2021.

6. I have not considered either the procurement process for the taxation revenue management system or the future phases of the taxation revenue management system project as part of this review.

7. My future work programme may consider ITS programme implementation in more detail.

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Key findings

8. The Outline Business Case (OBC) for the ITS programme was approved in September 2019. The Full Business Case (FBC) was approved in March 2021. Key stakeholders appear to have been supportive of the ITS programme at the time that the OBC and FBC were approved.

9. Neither the OBC nor the FBC articulated clearly the link between the ITS programme and other active programmes aimed at modernising Government services. The approach to managing interdependencies between different programmes is not therefore clear from these key documents.

10. The OBC included an articulation of anticipated benefits and costs of the programme as well as the case for change. Whilst the case for change was consistent between the OBC and the FBC, the estimates of costs and benefits varied: the FBC shows the estimated costs increasing and the estimated financial benefits reducing. At the time of my review, a strategy and supporting plan for benefits realisation have not been documented, although the overall programme does include a number of key deliverables in respect of benefits realisation plans. At the time of my review there had been no tracking of the outcomes and the realisation of benefits against the business case as benefits had not been expected at this stage of the programme.

11. Funding for the ITS programme was provided in the Government Plan 2020-23. Expenditure of £28 million was approved in the Government Plan in line with the OBC. However, the assumptions underpinning the OBC estimate of expenditure were overly optimistic. Consequently, the OBC excluded significant costs of the programme that should have been better understood and quantified at the time that the OBC was approved. The fact that these costs were not identified and quantified until the FBC meant that they were not included in the Government Plan 2021-24.

12. Whilst complex, the governance structure that has been put in place for the ITS programme is suitable. The key enablers for the ITS programme to achieve its objectives have been identified within the programme structure.

13. Since the commencement of the ITS programme there have been challenges to successful delivery. These challenges are related to the capacity of the Government to engage fully with the programme and to make key decisions on a timely basis. At the time of my review there continues to be reliance on third party contractors to perform key programme roles.

14.   It is not unusual for a programme of the scale of the ITS programme to experience cost pressures. At the time of my review, several cost pressures have been identified and these continue to be managed.

15.   After phase one of the implementation of the new taxation revenue management system, the Revenue Jersey team documented the lessons learned. This 'lessons learned' log should be revisited to ensure all actions in it have been considered and that mitigating actions are in place for the ITS programme.

Conclusion

16.   The Government of Jersey has embarked on a significant programme of digital modernisation of which the ITS programme is just one part. Other elements of digital modernisation include the adoption of Microsoft Office as well as a significant cyber security and information governance programme. It is essential that all elements of digital modernisation are considered as a portfolio and that dependencies between the programmes are identified and managed effectively.

17.   Major ICT programmes are high cost, high profile and carry great uncertainties and risks. Experience from the public sector in many jurisdictions is that often such programmes fail to deliver their objectives in terms of cost and/or outcomes. In order for the ITS programme to be successful there is a need to identify, measure and monitor the benefits of the programme and to ensure that responsibility and accountability for the delivery of benefits are clearly set out.

Objectives and scope of review

18. This review has:

- evaluated the first phase of implementation of the new taxation revenue management system and considered the lessons that can be learned for future projects. The evaluation considered:

  - whether strong and effective governance and project management arrangements were put in place

  - the reliance placed on third party providers, including whether there is sufficient resilience in the in-house team to maintain a robust corporate memory

  - whether best practice has been followed in respect of security and data protection

  - whether pre-implementation testing was completed and documented prior to go-live

  - the extent of user engagement and whether users were ready for the implementation of the system

  - the extent of contingency plans that were put in place to manage implementation issues; and

  - the arrangements for managing commercial relationships and controlling costs; and

- evaluated the design of the ITS programme and considered whether:

  - clear criteria for success have been articulated such that management can properly evaluate the options available

  - strong governance and project management plans are in place, including a robust assessment of project risks

  - robust organisational and digital strategies have been developed with a clear view of technological requirements

  - the programme team has a clear understanding of the operational realities and whether operational experts are committing time to supporting the programme team to develop the strategy
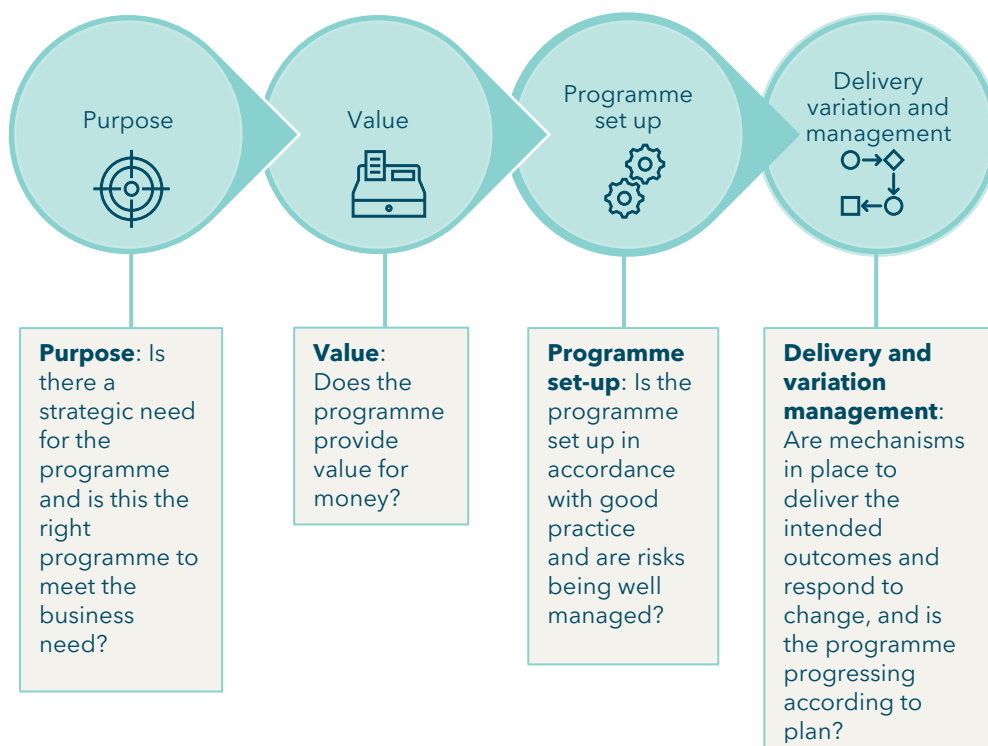
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- the complexity of legacy system issues is really understood including the challenges involved in migration and configuration

- best practice is being followed in respect of security and data protection risks

- robust plans are in place in respect of operational readiness to work effectively with a delivery partner

- there is sufficient challenge and review of existing business processes in preparation for implementation

- users and other key stakeholders are being engaged with effectively, with clear communications plans in place; and

- best practice was followed in respect of the appointment of a delivery partner.

19. The review considered implementation lessons from phase one of the taxation revenue management system programme. It did not consider the procurement process for the taxation revenue management system and did not consider future phases of the taxation revenue management system project.

20. The review considered the ITS programme up to 31 August 2021. My future work may consider programme implementation.

Detailed findings

Framework for review

21. Major ICT programmes are high cost, high profile and carry great uncertainties and risks. Experience from the public sector in many jurisdictions is that often such programmes fail to deliver their objectives in terms of cost and/or outcomes.

22. I have considered the ITS programme up to the end of August 2021 against a framework developed by the UK National Audit Office, as shown in Exhibit 1.

Exhibit 1: Framework to review programmes

Purpose	Value	Programme set up	Delivery variation and management
Purpose: Is there a strategic need for the programme and is this the right programme to meet the business need?	**Value**: Does the programme provide value for money?	**Programme set-up**: Is the programme set up in accordance with good practice and are risks being well managed?	**Delivery and variation management**: Are mechanisms in place to deliver the intended outcomes and respond to change, and is the programme progressing according to plan?

Source: National Audit Office: Framework to review programmes April 2019

23. The review considered implementation lessons from phase one of the taxation revenue management system programme. It did not consider the procurement process for the taxation revenue management system and did not consider future phases of the taxation revenue management system programme.

24. The review considered the ITS programme up to 31 August 2021. My future work may consider programme implementation.

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◎ Purpose

25.   The quality of project initiation is highly predictive of project success. At the outset, it is essential to be clear on what objective the programme is intended to achieve and how the programme links to strategic priorities. I have considered the purpose of the ITS programme against three criteria:

- **need for the programme** – is it clear what objective the programme is intended to achieve?

- **portfolio management and dependencies** – does the programme make sense in relation to the Government's strategic priorities?

- **stakeholder engagement** – have the right people bought into the need for the programme?

Need for the programme

26.   A priority within the Government Plan is to '*improve the way in which Government and the public service function, so they deliver modern, efficient, effective and value-for-money services and infrastructure, sound long-term strategic and financial planning, and encourage closer working and engagement among politicians and Islanders*'.

27.   The OBC for the ITS programme was approved in September 2019. Exhibit 2 is an extract from the OBC outlining the case for change.

Exhibit 2: The case for change

> *We have considered the aims of the Government and have concluded that our current enabling systems are obsolete and severely hamper effective control and operation. Our staff are compensating for this by resorting to significant manual tasks to provide basic information.*
>
> *In 2018 staff were consulted on the difficulties they face using current systems and improvements they would like to see. Key themes arising included: the need for improvement to current systems interfaces, automation of processes, standardisation of reporting, improvements to workflows and faster processing speed of current systems. This affirmed our need/desire for improved integration and modernisation across the Government of Jersey's supporting systems, firmly aligning the strategic case for change with staff's description of requirements from a new system.*

Source: Government of Jersey OBC for ITS

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28. The OBC went on to comment on the inadequacies of the existing systems as shown in Exhibit 3.

Exhibit 3: The existing enabling functions

An assessment across the enabling functions of the Government of Jersey indicates that the technology and applications currently in operation are unable to leverage the continuous improvement opportunities available under a more digital, integrated system solution.

The ability to operate in an integrated way across enabling functions (Finance, Procurement & Commercial, People Services and Payroll) is severely hampered by the incumbent Finance system, JD Edwards, which is now considered to be at end-of-life. The JD Edwards system is unsuitable to remain at the core of the Government of Jersey's digital architecture.

The current release (v8.10) has been in place since 2005 and the range of modifications that have taken place to the system make further customisation difficult and expensive. Furthermore, the system runs off the SQL 2008 R2 platform, which Microsoft will cease supporting in 2019. Running a system of this nature on an unsupported platform presents a significant performance and security risk. It also severely limits the degree to which further digital transformation can be delivered across the organisation going forward.

Systems across the enabling functions show a high level of fragmentation and duplication, leading to significant manual effort and difficulty in producing the timely, reliable intelligence required for strategic planning. This leads to duplication of effort and widespread opportunity costs across the Government of Jersey, which is ultimately unsustainable in the long term.

A simpler, leaner and more integrated systems architecture provides an opportunity to overcome these challenges, as well as reduce financial costs in the long term.

Source: Government of Jersey OBC for ITS

29. Attributes were defined in the OBC that should provide the foundation for achieving benefits. The attributes and what outcomes are desired from each strand were articulated clearly in the OBC.

30. The OBC described how current operations are complicated by separate systems which are specifically aligned to historical department-based requirements. New ways of working are planned to enable the adoption of common practices and integration across six functional components:

- finance

- operational finance

- procurement and commercial

- data analytics and reporting

- human capital management; and

- asset management.

Portfolio management and dependencies

31.   The Government of Jersey has embarked on a significant programme of digital modernisation of which the ITS programme is just one part. Other elements of digital modernisation include the adoption of Microsoft Office as well as a significant cyber security and information governance programme. I recognise that at a delivery level the ITS programme team has been in contact with other programmes across the portfolio, such as the cyber security programme. It is essential however that all elements of digital modernisation are considered as a portfolio and that dependencies between the programmes are identified formally and managed effectively.

32.   The Corporate Services Scrutiny Panel report on the Government Plan 2021-24, published in December 2020, found that *'there is no published strategy covering all IT spending in the Government Plan although this was mentioned as an action by Government following the recommendations put forward by the Panel in the previous Government Plan 2020-23'*.   The Panel recommended that *'In order to build public confidence and allow for public scrutiny the Assistant Chief Minister with responsibility for digital technology should give priority to publishing a strategy that clearly sets out how technology investment will support and impact services for the next four years and beyond. The strategy should be completed in 2021 and include a timeframe for delivery'*.

33.   In its response to the Corporate Services Scrutiny Panel report of December 2020, the Government stated that it would commence work in Quarter 1 of 2021 to prepare a Technology Investment Strategy for the coming years that will be available to the public. It stated that the Strategy will include details of the principles under which IT investment is supported and the anticipated timeframe for major initiatives.

34.   A draft document had been prepared in 2019 that set out an overview of how the elements of technology investment that were planned at that time linked to one another and to an overall approach. This document however was not finalised or approved.

35.   Neither the OBC nor the FBC articulate clearly the link between the ITS programme and other active programmes aimed at modernising Government services. The approach to managing interdependencies between different programmes is not therefore clear from these key documents.

36.   An ITS Steering Group was established as part of the governance of the initial stages of the ITS programme. This has later been replaced by the ITS Programme Board. The need for portfolio management and management of project dependencies is recognised in the stated purpose of the ITS Steering Group which included to *'provide appropriate challenge and hold the programme team to account, whilst bringing insight from other interdependent programmes'*.

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37. The documented key objectives of the ITS Steering Group also recognised the need for portfolio management and the management of project dependencies. The objectives include *'to highlight relevant considerations and interdependencies to appropriately manage risk in the process of selection, procurement and implementation'*.

38. Now that the programme is operational, it is the role of the Design Authority within the governance structure to ensure alignment of the ITS programme with other IT strategies and initiatives.

39. In practice, more work is required to manage and report ITS programme dependencies. Whilst the project plans for each phase identify and provide a high level view of individual dependencies, the potential combination of these individual dependencies on the overall critical path for the ITS programme could be clearer.

Stakeholder engagement

40. A Communication Plan and strategies were prepared that identified all key stakeholders and the arrangement for managing communications with them. Internal and external communications objectives are defined in the Communication Plan with stakeholders identified within broad categories, including enabling functions, user groups and external third parties. The Communication Plan sets out the principles and strategies to communicate with each of the different groups and includes key communication events across each delivery stage.

41. The communication needs of enabling functions and user groups were identified in the Communication Plan along with expectations and key considerations. The needs and consideration of third parties, such as the States Assembly, have not however been identified at a detailed level. An updated Communication Plan is scheduled to be delivered by the end of October 2021.

42. The tender process for the ITS programme included elements of user involvement. 18 users were present at the system demonstrations by the two delivery partner bidders at the final stage of procurement. Feedback from users was taken into account in the final decision.

43. The key stakeholders identified in the Communication Plan appear to have been supportive of the ITS programme at the time that the OBC and FBC were approved.

Recommendations

R1   Document an overall IT strategy for the States of Jersey.

R2   Provide clearer reporting to the ITS Programme Board on the links between project risks, interdependencies and the overall project plan.

R3   Ensure the Communication Plan for the ITS programme documents more fully the communication needs of the States Assembly and Scrutiny Panels and how these needs will be met.

Value

44.   I have considered whether the ITS programme has been established to deliver value using the following criteria:

- **option appraisal** – does the option chosen meet the programme's objective and provide long-term value?

- **business case** – does the business case demonstrate value for money over the lifetime of the programme?

- **cost and schedule** – has the programme built up robust estimates of cost and schedule, including all programme components?

- **benefits** – does the programme: have a baseline; know what measurable change it is going to make; and actually measure it? Are benefits being achieved?

Option appraisal

45.   The OBC considered a broad range of alternative options against suitable criteria to determine what the ITS programme should look like. The OBC concluded that 'Modular – 'best of breed' hosted solutions' was the best option to deliver the benefits identified.

46.   'Modular – 'best of breed' hosted solutions' involves the Government commissioning separate 'best of breed' Software as a Service (SaaS) solutions to meet the needs of finance, people services and commercial and procurement. This approach is intended to enable the Government to select the solution which provides the best fit to its needs in each of these areas. SaaS is a method of software delivery and licensing in which software is accessed online via a

subscription, rather than bought and installed on individual computers. One of the benefits of SaaS is the delivery of regular updates to the systems.

Business case

47.   The OBC for the ITS programme was approved in September 2019. It included an articulation of anticipated benefits and costs of the programme as well as the case for change.

48.   The FBC was approved in March 2021. Whilst the case for change was consistent between the OBC and the FBC, the estimates of costs and benefits varied: the FBC shows the estimated costs increasing and the estimated financial benefits reducing.

49.   Funding for the ITS programme was provided in the Government Plan 2020-23. Expenditure of £28 million was approved in the Government Plan in line with the OBC. However, the assumptions underpinning the OBC estimate of expenditure were overly optimistic. Consequently, the OBC excluded significant costs of the programme that should have been better understood and quantified at the time that the OBC was approved. The fact that these costs were not identified and quantified until the FBC meant that they were not included in the Government Plan 2021-24. The costs were not therefore scrutinised by the States Assembly as part of the Government Plan process.

50.   In March 2021, a Ministerial Decision was approved to address the identified funding gap. The FBC funding strategy recommended that the additional funding be included in the next Government Plan to be approved by the States Assembly in December 2021.

51.   In the meantime, a Ministerial Decision resulted in the Treasury and Resources Minister providing a 'letter of comfort' to the relevant Accountable Officer for the funding required to deliver up to 'release two' of the ITS programme only. The value of this is £12.54 million and this amount is held in the General Reserve. The Ministerial Decision enabled contracts to be entered into in 2021, in advance of the approval of the next Government Plan. The funding for future phases beyond 'release two' will be considered as part of the approval process for the Government Plan 2022-25.

Cost and schedule

52.   The cost estimated in the OBC for the preferred 'Modular – 'best of breed' hosted solutions' was £43.5 million. This was broken down as shown in Exhibit 4.

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Exhibit 4: Costs articulated in the OBC

Category	2020	2021	2022	2023	2024	2025	2026	Total
Full Business Case	£2.0m							£2.0m
Transition and Implementation	£1.0m	£3.5m	£2.5m					£7.0m
Change Readiness	£2.0m	£7.0m	£4.0m	£2.0m				£15.0m
System Acquisition and Operation	£1.0m	£1.5m	£1.5m					£4.0m
Total Capital Cost	**£6.0m**	**£12.0m**	**£8.0m**	**£2.0m**	**-**	**-**	**-**	**£28.0m**
Running Costs	-	-	£2.4m	£2.4m	£2.4m	£2.4m	£2.4m	£12.0m
Total Baseline Cost	**£6.0m**	**£12.0m**	**£10.4m**	**£4.4m**	**£2.4m**	**£2.4m**	**£2.4m**	**£40.0m**
Risk adjustment								**£3.5m**
Total risk adjusted cost								**£43.5m**

Source: Government of Jersey OBC for ITS

53. The Government Plan 2020-23 included a dedicated allocation of £28 million for the capital costs of the ITS programme. The ongoing revenue costs of the programme were not budgeted separately in the Government Plan and formed part of an allocation for the revenue impact of IT investment.

54. By the time of the FBC in March 2021, the estimated overall cost of the programme had risen to £67.8 million. The main differences in costs between the FBC and the OBC relate to additional costs being identified for programme management (including the interface between the Government and the programme delivery partner) and for business change activities. The OBC had made several assumptions as to the level of internal resources that could be deployed to the ITS programme at no additional cost. By the time the FBC was prepared however it was apparent that:

- the OBC assumptions had been overly optimistic

- resources that might have been used to support the ITS programme had been deployed to support the Government's response to the COVID-19 pandemic; and

- the key supporting functions in Treasury and Exchequer, People Services, Modernisation and Digital and Commercial Services were carrying a high level of vacancies (in part due to difficulties in recruiting in 2020 during the COVID-19 pandemic).

55.   The FBC included a table that explained the increase in costs as shown in Exhibit 5.

Exhibit 5: Comparison of OBC and FBC costs

Cost	OBC	FBC	Difference	Comment
Business readiness and procurement (2020)	£2.60m	£4.78m	£2.18m	Extended phase due to impact of COVID-19. These costs were not envisaged in OBC.
Programme Partner Costs	£1.50m	£5.45m	£3.95m	OBC assumed the Government would resource the Programme Management Office/Programme Management capacity. Capacity constraints mean that an external supplier is now required to provide the service.
Delivery Partner Implementation Costs	£22.60m	£19.76m	(£2.84m)	OBC figures were an estimate. Recent procurement had taken advantage of a competitive process.
Software	£8.00m	£6.04m	(£1.96m)	OBC figures were an estimate. Recent procurement had taken advantage of a competitive process.
Delivery Partner ongoing support	-	£1.30m	£1.30m	Costs of the delivery partner supporting business as usual were not specifically split out within the OBC. It is now agreed that the supplier will assist the Government in establishing an in-house centre of excellence.
Government of Jersey Resources	£5.30m	£24.06m	£18.76m	OBC assumed departments would fund their own business change and that the core programme team would be funded from ITS. It has now been agreed that to position the programme for success the Government of Jersey resource requirement identified during the procurement to deliver business change activities and Government of Jersey contractual dependencies (including integrations with retained applications, training, data cleansing) [£16.83m], will be funded via the programme. OBC did not provide for an Intelligent Client Function (ICF) to

Cost	OBC	FBC	Difference	Comment
				interface to the delivery partner and manage internal Government of Jersey resources [£5.39m]. On-going support of the Government of Jersey Centre of Excellence (2021-2026) is provisioned in FBC. In OBC it was included in software [£1.84m].
Subtotal	£40.00m	£61.39m	£21.39m	
Contingency	-	£6.40m	£6.40m	OBC did not include contingency/risks provisions. Delivery (partner and software) and Programme Partner contingency added at FBC.
Total	£40.00m	£67.79m	£27.79m	

Source: Government of Jersey FBC for ITS

56.   In my view, the processes for the identification and quantification of costs at the OBC stage were not sufficiently robust. Whilst I acknowledge that the COVID-19 pandemic had an impact on assumptions and costs, the costs associated with the establishment and operation of an Intelligent Client Function should have been identified at the OBC stage. The incremental costs associated with ensuring sufficient Government of Jersey resources are allocated to the programme to deliver business change should also have been identified at the OBC stage. Finally, some contingency allocation should have been made in the OBC.

Benefits

57.   Both the OBC and the FBC make it clear that the financial and economic case for the investment is not built upon a significant direct return on investment from the programme. The OBC states that the case for investment *'is focussed on enabling the organisation to gain greater control and provide the technology and tools that our staff require to operate in a modern and efficient and transparent manner'*.

58.   The FBC states that the programme will *'offer benefits across the government by standardising, simplifying, and enabling better ways of working. It will offer benefit to employees with more effective and empowering ways of working and a greater focus on frontline work, as well as increasing the opportunities for remote and mobile working. It will offer islanders simpler, more consistent, and easier ways of transacting with the government and it will deliver additional Social Value to the Island'*.

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59.   The OBC provided an estimate of potential savings of £5.4 million per annum alongside wider non-quantifiable benefits associated with the transformation of working practices. The cashable benefits as set out in the OBC were not factored into the Efficiency Programme in the Government Plan 2020-23. The OBC noted that in developing the FBC, the cashable benefits would need to be confirmed and factored into the Government Plan and Efficiency Programme as appropriate.

60.   The FBC provides a revised lower estimate of financial savings expected to be achieved by the programme of £3.7 million per annum from 2024 onwards. The FBC also identifies, but does not quantify, a number of intangible financial benefits.

61.   The description of benefits in both the OBC and the FBC is relatively generic in many instances, for example *'cost reduction resulting from process simplification, standardisation and automation in the commercial function'* and *'reduced manual processes'*. The generic description will make it difficult to measure whether the benefits anticipated are achieved in practice.

62.   The FBC does not set out a plan to establish what information needs to be captured to measure future changes in performance. In addition, the mechanisms to monitor the performance of the programme in terms of benefits delivery are not clearly identified.

63.   At the time of my review, a strategy and supporting plan for benefits realisation have not been documented although the overall programme does include a number of key deliverables in respect of benefits realisation plans. At the time of my review there had been no tracking of the outcomes and the realisation of benefits against the business case as benefits had not been expected at this stage of the programme.

Recommendations

R4   Provide clearer guidance and templates to capture all expected costs of major projects at the Outline Business Case stage.

R5   Document and implement a clearly defined strategy to measure, monitor and report on whether the ITS programme is delivering the intended financial and non-financial benefits and outcomes.

Programme set up

64. A pre-condition for successfully starting a project and running an effective competition for commercial partners is that everyone involved in delivering the project clearly understands what must be delivered, and when. Immature or incomplete specifications lead to scope creep and confusion across the supply chain and make it difficult to incentivise commercial partners to deliver effectively and to hold them to account for subsequent shortcomings.

65. I have considered the following elements of programme set up:

   - **governance and assurance** – are there structures (internal and external) which provide strong and effective oversight, challenge and direction?

   - **leadership and culture** – does the programme have strong leadership with the necessary authority and influence?

   - **resources** – has the organisation allocated the resources (staffing, skills, equipment, and so on) required to deliver the programme?

   - **putting the programme into practice** – are scope and business requirements realistic, understood, clearly articulated and capable of being put into practice?

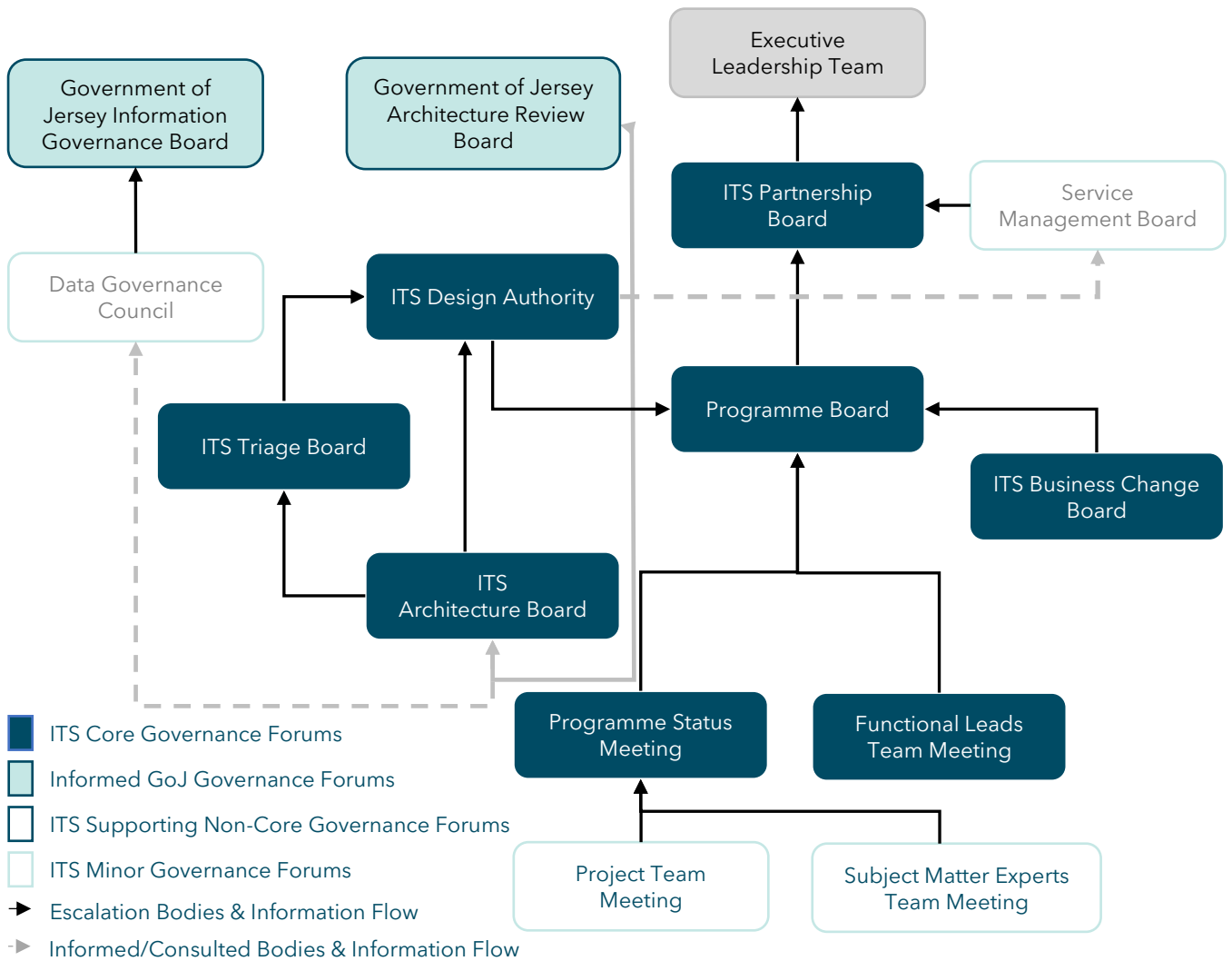   - **risk management** – are key risks identified, understood and addressed?

Governance and assurance

66. The governance structure for the ITS programme was established at the start of the programme. At the initial stages, an ITS Steering Group was established whose purpose was to provide leadership and direction to the programme, including:

   - procurement of a client-side procurement partner

   - procurement of partners to deliver systems integration, the technology solution, change management and programme management; and

   - completion of the FBC.

67. The membership of the ITS Steering Group included representatives from key areas within corporate services, the third party client-side procurement partner and a selection of user representatives. The roles of the members within the ITS Steering Group were not defined clearly, including the role of the Senior Responsible Officer, the Programme Manager and the Chair. The roles of members could have been better defined for individual members in order to

reduce the risk of gaps, overlaps and misalignment of roles within the Steering Group.

68. The governance structure has evolved since the approval of the FBC in March 2021. The ITS Steering Group was replaced by the ITS Programme Board. The current structure is shown in Exhibit 6.

Exhibit 6: ITS programme governance structure

Source: Government of Jersey presentation

69. The role of the ITS Partnership Board is to provide senior level guidance, leadership and strategy for the overall delivery of the benefits set out in the ITS programme FBC and to be the point of escalation from the Programme Board and the Service Management Board. Membership of the Partnership Board includes delivery partners from third party contractors. The ITS Partnership Board meets on a monthly basis.

70. The role of the ITS Programme Board is to provide senior level guidance, leadership and strategy for the overall delivery of the programme and be the point of escalation from the Design Authority. It meets on a fortnightly basis. Membership of the ITS Programme Board includes delivery partners from the third party contractors.

71. The ITS programme is integrated into the wider Government of Jersey structures. A key role of the ITS Design Authority is to ensure the design of the ITS programme *'aligns with the Government's operating model and future transformation state(s)'*.

72. Whilst complex, the governance structure for the ITS programme is suitable. The roles and responsibilities of each group are clearly defined and there is a distinct programme management team with authority and responsibility for delivering the programme.

73. The membership of the boards within the governance structure includes delivery partners and the programme management partner. It is not clear however which decisions can be taken by the boards compared to which decisions must be taken by the Government of Jersey members of a board. One way to address this would be to produce a document that clarifies the accountability and decision making responsibilities for all project activities and deliverables.

74. Standard agenda packs are produced for the ITS Partnership Board and the ITS Programme Board. The minutes of the meetings however do not reflect all of the agenda items. It is therefore not clear whether the agenda items have been considered or not at the meetings.

75. Both the ITS Programme Board and the ITS Partnership Board receive reports on the progress of the programme and associated risk ratings. The ratings included within the reports however have not always been accurate and consistent. For example:

   • the risk rating from the previous meeting reported to the ITS Partnership Board on 20 May 2021 was incorrect; and

   • the 'release one' risk rating reported to the 20 July 2021 ITS Partnership Board was inconsistent with (and lower than) the risk rating reported to the 22 July 2021 ITS Programme Board.

76. A detailed financial model exists to record programme costs. However, within the governance structure, the reporting of the financial position of the programme has been high level and, on occasions, inconsistent. For example, the minutes of the ITS Partnership Board for April 2021 note that the forecast project overspend reported in the agenda pack was inaccurate. The need to provide the ITS

Partnership Board with more comprehensive and detailed financial information was identified early in the programme. More comprehensive reports however have not yet been provided as part of the standard agenda packs.

77. It is not unusual for a programme of the scale of the ITS programme to experience cost pressures. At the time of my review, several cost pressures have been identified and continue to be managed.

78. The documentation of formal escalation from the ITS Programme Board to the ITS Partnership Board could be improved. Whilst it is clear that key project risks and issues are included in the agenda packs for the ITS Partnership Board, the same packs indicate that no matters have been escalated formally from the ITS Programme Board. I would expect to see a clearer audit trail of items on the agenda at the ITS Partnership Board that have been escalated from the ITS Programme Board.

79. Since the commencement of the ITS programme there have been challenges to successful delivery. These challenges are related to the capacity of the Government to engage fully with the programme and to make key decisions on a timely basis. At the time of my review there continued to be reliance on third party contractors to perform key programme roles.

80. The FBC outlined four lines of assurance built into the ITS programme (Exhibit 7).

Exhibit 7: Four lines of assurance

> *1st Line of Defence: ICF Project and Programme Management*
>
> *The first line of assurance will be the 'day-to-day' project and programme management activities undertaken by the Intelligent Client Function and the service providers, including planning, progress tracking, reporting and risk and issue reporting. These reports will be provided to the Programme Director and the ITS Governance groups.*
>
> *2nd Line of Defence: ITS Governance*
>
> *The second line of assurance is provided by the ITS governance structures described earlier in this section. The Governance groups have a responsibility to probe and assure the delivery of the programme, ultimately reporting up to the OneGov board.*
>
> *3rd Line of Defence: Government of Jersey CPMO*
>
> *The Central Programme Management Office (CPMO) is a Government of Jersey function which independently reviews and tracks the progress of programme deliveries, reporting to Executive Leadership Team.*
>
> *4th Line of Defence: External Assurance*

> *The Procurement Partner will be engaged through the implementation phase of the programme to provide an independent view of the progress of the programme and ensure it is meeting the intent of the programme outcomes. These views will be provided to the appropriate levels of ITS Governance.*

Source: Government of Jersey FBC for ITS

81.   The FBC does not recognise explicitly the role of the Government of Jersey Internal Audit function in providing assurance or the role of the Government of Jersey Risk and Audit Committee. Under the Public Finances Manual, the ITS programme, as a major project, will be subject to at least one internal audit review during the life of the project.

82.   The way in which the 4th line of defence would operate in practice was not set out at the start of the ITS programme. An ITS Assurance Workshop did not take place until August 2021, the results of which were reported to the ITS Partnership Board in August 2021.

83.   An ITS Assurance Panel is now being established with the following objectives:

- provide assurance that the programme remains aligned to the vision, objectives, benefits and priorities set by the Government of Jersey

- provide assurance that the programme partners collaborate for the programme to meet its objectives

- provide assurance that the programme operates to consistent quality standards and that appropriate review and approval processes are followed; and

- provide assurance that the programme seeks opportunities for continuous improvement.

84.   Membership of the ITS Assurance Panel includes the Chief Internal Auditor as well as quality and assurance representatives from delivery partners. It is intended that the ITS Assurance Panel will provide an advisory role to the ITS programme Senior Responsible Officer and the ITS Partnership Board. It is also intended that the scope of each assurance review will be set by the ITS Assurance Panel and/or the Senior Responsible Officer.

85.   The documentation that I have reviewed recognises that the ITS assurance arrangements sit separately to the review role carried out by the States of Jersey Internal Audit function and will not duplicate the role of Internal Audit. The recognition of the importance of independence in undertaking assurance activities could however be more explicit. Whilst the results of independent assurance

activities should be reported to the ITS Partnership Board and the Senior Responsible Officer, best practice would require the scope of the reviews undertaken to be determined independently.
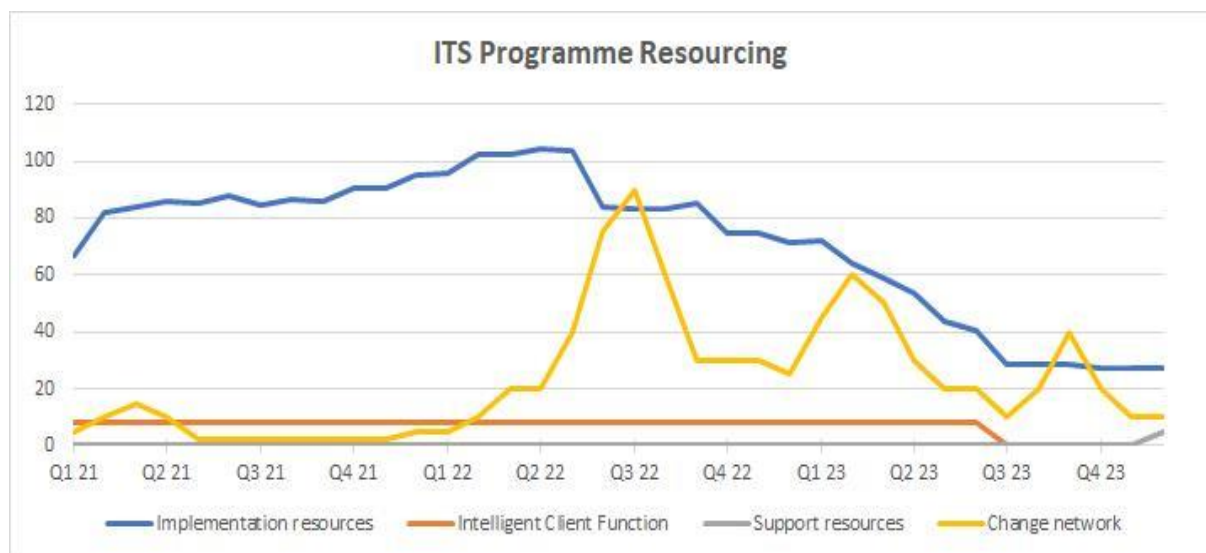
Leadership and culture

86.   There are clear leadership roles within the ITS programme. The Senior Responsible Officer for the ITS programme is the Chief Operating Officer. The Chief Operating Officer chairs the ITS Partnership Board with the Treasurer acting as Deputy Chair.

87.   A Business Change Board has been established, chaired by the Chief of Staff with the purpose of managing and governing the change delivered by the ITS programme, as well as guiding and designing the overall change strategy.

88.   At the time of my review, the Business Change Board had only met three times which is not the 'fortnightly (and as required)' stated in the terms of reference. It is critical that the work of this Board accelerates in order to ensure that staff across Government engage effectively with the programme and that the change and benefits envisaged in the programme are delivered in practice.

Resources

89.   The FBC sets out details of the delivery structure and team structure and provides a high level summary of the resources expected to be required to deliver the ITS programme. This was supported by a detailed analysis of resourcing required on a month by month basis by function over the expected life of the ITS programme. Exhibit 8 is an extract from the FBC.

Exhibit 8: Resource (Full Time Equivalent) need identified in the FBC

Source: Government of Jersey FBC for ITS

90. Even though staff have been recruited to the programme, significant vacancies remain unfilled. As a consequence, the Government remains reliant on additional third party capacity and resources to deliver the programme, including in key delivery roles such as Programme Director and Head of the Intelligent Client Function.

91. An onboarding process was developed for new starters to the ITS programme workforce. This includes familiarisation with processes, stakeholders and logistics. An operational team has been involved in supporting the programme team to deliver the programme. The key workstreams are:

- finance

- people services

- procurement and commercial

- asset management

- inventory; and

- data and ICT policies.

92. Capacity gaps have been identified within the procurement and commercial workstream. In addition, a lead for the inventory workstream was not identified until March 2021. The lead for inventory has been taken on by the Director of Commercial Services. Whilst the Director of Commercial Services is being supported by other officers in this workstream, it is important that the key user departments of the future inventory system are actively involved in this workstream. Over time, there should be an ambition for a key user department nominee to take on the lead for this workstream. At the time of my review, work on the inventory management workstream was less well defined than other workstreams.

93. Ensuring that sufficient Government resources are directed to the programme remains a challenge and third party contractors continue to fill key programme roles.

Putting the programme into practice

94. The ITS programme has been well defined with clear and appropriate governance structures and reporting lines in place. The key enablers for the ITS programme to achieve its objectives have been identified within the programme structure. The main strands of work include people, processes and culture.

95.   The scope and business requirements of the programme are understood and are articulated clearly. The ITS programme team has undertaken considerable work on review and documentation of interfaces between the old and the new systems. The complexity of legacy system issues is well understood, including the challenges involved in migration and configuration.

96.   Business process mapping has been undertaken for the key processes. This fed into the systems requirements. Business owners and process owners have been identified for each process. The mapping of systems and processes is comprehensive and identifies all applications that link to the financial system.

97.   There is a significant number of key design decisions that need to be made as part of the programme and progress with these is being monitored closely.

98.   Data cleansing and data migration work has commenced. However there are significant challenges to the completion of this work on a timely basis.

Risk management

99.   The FBC articulated the key risks and mitigations in respect of strategic, economic, commercial and delivery management risks.

100.   The FBC did not include a full assessment of the likelihood and potential impact of the identified risks arising in practice. However, a project risk register has been maintained that includes this detail. In addition, the top programme risk trends are reported to the ITS Programme Board (previously the ITS Steering Group) and the ITS Partnership Board together with updates on mitigating actions.

101.   All key risks have been allocated a risk owner who is responsible for managing the risk and mitigating actions.

102.   At an overall level, the mitigation of the key risks identified is dependent on an effective Intelligent Client Function being in place. The resourcing of this function however has remained dependent on the programme partner rather than internal Government of Jersey resources.

103.   Another key mitigation is the 'design' phase of the programme to identify and confirm expectations and requirements. The design phase was due to be completed by the end of September 2021. It will be critical at this point to re-evaluate all risks as well as programme timescales and likely costs.

104.   Whilst there has been regular reporting of programme risks to both the ITS Programme Board and the ITS Partnership Board, the colour coding of the overall status of key elements of the programme has not always been consistent. For example:

- the coding of the programme reported to the ITS Programme Board on 22 July 2021 was inconsistent with the coding reported to the ITS Partnership Board two days earlier on 20 July 2021; and

- the comparative project risks reported to the ITS Partnership Board on 20 May 2021 (i.e. the previous risk rating) was incorrect.

105. The colour coding status of 'red', 'amber' and 'green' (RAG status) is measured against time, cost, scope and quality and is therefore a 'progress' approach to measurement rather than a 'risk' approach to measurement. The test for the overall programme status rating is 'can the whole scope of the programme be delivered by the end of 2023 to budget and at an acceptable quality?'. The test for release one is *can release one be delivered with a 'go live' date of 31 March 2022 to budget and at an acceptable quality?'*

106. The consequence of the approach adopted is that a colour coding of 'green' has been reported in a number of instances for the overall programme when the key 'release one' of the programme is reported as 'green/amber', 'amber' or 'amber/red'. Exhibit 9 contains more details.

Exhibit 9: Reporting of programme status

Date	Board	Overall reported programme status	Release One reported status
22 April 2021	**Partnership**	(green)	Discovery phase (amber)
29 April 2021	Programme	(amber)	Not reported (amber)
13 May 2021	Programme	(green)	(green)
20 May 2021	**Partnership**	(green)	(green)
27May 2021	Programme	(green/amber)	(green/amber)
10 June 2021	Programme	(green/amber)	(green/amber)
17 June 2021	**Partnership**	(green/amber)	(green/amber)
24 June 2021	Programme	(green/amber)	(green/amber)
8 July 2021	Programme	(amber)	(amber)
20 July 2021	**Partnership**	(green)	(amber)
22 July 2021	Programme	(green)	(red)
19 August 2021	**Partnership**	(green)	(red)
19 August 2021	Programme	(green)	(red)

Date	Board	Overall reported programme status	Release One reported status
1 September 2021	Programme	🟩	🟧

Source: JAO analysis of reports to the ITS Partnership and Programme Boards

107. The 'board packs' however do not always clarify how the two ratings interact and the assumptions that are being made in respect of future activities that result in an overall status of 'green' compared to a lower reported status for release one.

Recommendations

R6 Document clearly the roles and responsibilities of individual members of groups in the governance structure together with the accountability and decision making responsibilities for all project activities and deliverables.

R7 Improve the minutes of the meetings of boards within the governance structure and ensure that they include a record of all agenda items.

R8 Enhance the level and detail of financial information reported to the ITS Partnership Board.

R9 Document more formally the matters that have been escalated between groups within the ITS governance structure.

R10 Reassess the level of internal resources dedicated to the ITS programme and ensure that the programme timescales set are realistic in light of the resources actually available.

R11 Ensure the ITS Programme Board and the ITS Partnership Board reporting clarifies the relationship between the overall programme status and the status of key component parts of the programme. This should include any assumptions being made regarding future activities that lead to the overall programme status being reported more favourably than a key component part of the programme.

Delivery variation and management

108. I have considered the proposed arrangements within the ITS programme for delivery variation and management. In doing so, I have considered specifically:

- **delivery strategy** – are there appropriate incentives for all parties to deliver (contractual, performance management, or other)?

- **change control** – is there an effective mechanism to control programme alterations?

- **responding to external change** – is the programme sufficiently flexible to deal with setbacks and changes in the operating context?

- **performance management** – is progress being measured and assessed, including consideration that the programme is still the right thing to do?

- **lessons learned** – is the programme learning from experience on the current programme and previous relevant programmes?

- **transition to business as usual** – does the programme have a clear plan for transfer to operations/business as usual?

Delivery strategy

109. Procurement strategies have been developed for different stages of the programme. The strategies include the following key appointments:

- a procurement partner to support and provide assurance on the procurement process

- a delivery partner to deliver business change, systems integration and support services

- a software provider; and

- a programme partner to deliver client-side programme management and project management activities.

110. The delivery partner and software provider were procured in tandem, with each potential delivery partner proposing a software solution. The delivery partner procurement was conducted as an 'open procedure', in which an initial shortlisting of bidders was determined by a pre-qualification process.

111. Upon completion of the pre-qualification moderation, six bidders were shortlisted from ten submissions. Invitations to Tender were issued to the six selected bidders that focussed on the products set, proposed strategy, implementation plan and costs. Following presentations and further evaluations, the list of bidders was narrowed to the two highest scoring bidders.

112. Prior to Best and Final Offer, both bidders were asked to submit a Request For Detailed Solution. During the procurement phase for the delivery partner and software provider there was extensive interaction with bidders. Procurement dialogue was held as a series of sessions with the bidder consortium members to increase understanding of bidders' detailed proposals, to mature the scope and to provide constructive feedback to the bidders.

113. Contracts have been signed with the procurement partner, delivery partner, the software provider and the programme partner. The delivery phase of the programme commenced under a Letter of Intent on 27 January 2021 and the delivery partner and the initial software contracts were finalised on 8 March 2021.

114. There were over 70 key performance indicators (KPIs) documented in the contracts with third party partners. A review in June 2021 identified that some of these KPIs were surplus and added little or no value and that more specific metrics needed to be identified and agreed. A need to produce a framework to gather and report on the metrics was also identified.

115. Work has taken place to identify and report against social value indicators included within contracts. These include indicators such as internships and volunteer sessions at schools.

Change control

116. Processes have been established for the control, management and approval of changes to the ITS programme. At the time of my review, the change request log identified 25 change request items.

117. Change requests are logged and are reported to the ITS Programme Board and, where appropriate, the ITS Partnership Board. The change request log records the potential commercial and financial impact of the change if approved. The reporting of the potential financial impact of change requests to the ITS Programme and Partnership Boards could however be clearer.

Responding to external change

118. The COVID-19 pandemic has had an impact on the progress of the ITS programme. Whilst progress has been maintained through remote working, some of the remote workshop activity has been less effective than face-to-face activities.

In addition, it has been more difficult to recruit to ITS programme roles. As the programme develops, it is important to retain flexibility within overall programme resources to respond to and, where appropriate, address changes arising from the external environment.

Performance management

119. The ITS Partnership Board and the ITS Programme Board receive regular reports on performance of the programme including:

- progress and milestone achievements against plan

- reports on individual work packages/streams

- overall resources and funding used to date; and

- key risks and issues.

120. The parameters against which the status of the programme is reported are set out within the reports to each board. These reports include comments to support the judgement as to the status of the programme and its component parts. It is not however clear how cost and delivery indicators are aligned or integrated to provide an overall value measure for the programme.

121. Whilst I have seen evidence of formal documentation being prepared to support the sign off for each delivery milestone, there is insufficient formal reporting of delivery against contract KPIs.

122. As noted above, no reporting has taken place on the strategy for benefits realisation and progress made in delivering benefits in practice.

Lessons learned

123. I have considered whether the design and operation of the ITS programme has learned from previous IT implementations, in particular from phase one of the taxation revenue management system implementation.

124. The replacement of the taxation revenue management system was a significant IT project. The previous taxation revenue management system had been in place since 1985. The intention for the new system was to secure revenue collection and to enable adoption of modern revenue management practices.

125. The programme to implement a new system was set in the context of significant reforms to the legal structure of taxation in Jersey. To enable modern taxation revenue administration principles to be followed, there was a need to redesign business functions and processes.

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126.   The total allocated budget for the taxes office system renewal was £8.9 million. Phase one of the system was implemented during 2019 at a cost of £5.7 million.

127.   After phase one of the implementation of the new system, the Revenue Jersey team documented the lessons learned. The key lessons (both successes and challenges) were documented under key themes of:

- contracting and commercial

- planning

- people and change; and

- management and delivery.

128.   In October 2020, the ITS programme team prepared a presentation outlining points noted in previous Comptroller and Auditor General reports and Public Accounts Committee reports on IT implementations. The presentation set out the mitigations and evidence of the action being taken to address these points in the ITS programme. In many instances, the lessons learned from the Revenue Jersey programme and proposed mitigations for the ITS programme were documented.

129.   However, the points in respect of the test phase strategy and test phase delimiters that were included in the lessons learned log for the Revenue Jersey programme were not included in the actions and mitigations for the ITS programme. In particular:

- define what conditions must be achieved to enter each testing phase, as well as the criteria for exiting the test phase

- ensure the test strategy and plan is sufficiently detailed and approved including naming the individual or role for signoff of each test phase or set; and

- ensure the test strategy includes a risk analysis section with sufficient risk response narrative.

Transition to business as usual

130.   As noted above, a Business Change Board has been established and had met on three occasions at the time of my review. In my view, there is a significant amount of work to be undertaken to absorb the overall aims of the ITS programme into 'business as usual'. In addition, the responsibility for benefits realisation has not yet been identified or allocated to individual business units within departments.

Recommendations

R12   Develop the reporting of overall progress to the ITS Programme Board and the ITS Partnership Board to align cost and delivery indicators in assessing overall programme performance.

R13   Report formally the performance of third party partners against agreed KPIs to the ITS Partnership Board.

R14   Develop the change request reporting to include clear cost implications associated with each individual change request.

R15   Revisit the lessons learned log from the Revenue Jersey Transformation Programme and ensure all actions in the log have been considered and mitigating actions are in place for the ITS programme.

R16   Ensure that responsibility for benefits realisation is identified and allocated to specific business units within departments.

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Appendix One
Audit Approach

The review included the following key elements:

- review of relevant documentation provided by the Government of Jersey; and

- interviews with key officers within the Government of Jersey.

The documentation reviewed included:

- Terms of Reference ITS Steering Group

- ITS PMO and Governance Processes

- ITS Programme Team Role Descriptions

- ITS Integrated Plan January 2020

- ITS Steering Group Agenda Pack 17 December 2020

- Risk and Issues Log

- Outline Business Case September 2019

- Full Business Case March 2021

- Ministerial Decision MD-C-2021-0025

- ITS Communication Plan and Strategy

- Data strategy overview

- Architecture definition document

- ITS Governance and Reporting PowerPoint document 2021

- ITS Programme Onboarding Pack

- ITS tender evaluation matrix (lot 1)

- User experience feedback analysis

- Consolidated lessons learned log

- ITS Partnership Board packs and minutes of meetings to end of August 2021

- ITS Programme Board packs and minutes of meetings to 1 September 2021

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- Business Change Board packs and minutes of meetings to end of August 2021

- Change request log

The following officers were interviewed or provided written input:

- Director General, Chief Operating Office

- Comptroller of Taxes

- Group Director, ITS

- ITS Finance Functional Lead

- ICF Procurement and Contract Management Lead

- Group Director, Modernisation and Digital

- Group Director, Commercial Services

- Group Director, People Services

- ITS Programme Manager

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Appendix Two
Summary of Recommendations

R1   Document an overall IT strategy for the States of Jersey.

R2   Provide clearer reporting to the ITS Programme Board on the links between project risks, interdependencies and the overall project plan.

R3   Ensure the Communication Plan for the ITS programme documents more fully the communication needs of the States Assembly and Scrutiny Panels and how these needs will be met.

R4   Provide clearer guidance and templates to capture all expected costs of major projects at the Outline Business Case stage.

R5   Document and implement a clearly defined strategy to measure, monitor and report on whether the ITS programme is delivering the intended financial and non-financial benefits and outcomes.

R6   Document clearly the roles and responsibilities of individual members of groups in the governance structure together with the accountability and decision making responsibilities for all project activities and deliverables.

R7   Improve the minutes of the meetings of boards within the governance structure and ensure that they include a record of all agenda items.

R8   Enhance the level and detail of financial information reported to the ITS Partnership Board.

R9   Document more formally the matters that have been escalated between groups within the ITS governance structure.

R10 Reassess the level of internal resources dedicated to the ITS programme and ensure that the programme timescales set are realistic in light of the resources actually available.

R11 Ensure the ITS Programme Board and the ITS Partnership Board reporting clarifies the relationship between the overall programme status and the status of key component parts of the programme. This should include any assumptions being made regarding future activities that lead to the overall programme status being reported more favourably than a key component part of the programme.

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R12   Develop the reporting of overall progress to the ITS Programme Board and the ITS Partnership Board to align cost and delivery indicators in assessing overall programme performance.

R13   Report formally the performance of third party partners against agreed KPIs to the ITS Partnership Board.

R14   Develop the change request reporting to include clear cost implications associated with each individual change request.

R15   Revisit the lessons learned log from the Revenue Jersey Transformation Programme and ensure all actions in the log have been considered and mitigating actions are in place for the ITS programme.

R16   Ensure that responsibility for benefits realisation is identified and allocated to specific business units within departments.

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LYNN PAMMENT

Comptroller and Auditor General

R.163/2021