



National Audit Office

INSIGHT

Government's approach to technology suppliers: addressing the challenges

Powering Digital Public Services - UKAuthority
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Barriers to transformation





Constraints of the existing landscape and their impact on digital procurement

Legacy systems

- Insufficiently maintained over the years. Issue has been recognised and greater funding allocated in SR20 and SR21, although vulnerable to being diverted to other priorities.
- They also expose government to high levels of cyber risk (e.g. British Library).

Data

- Government is starting from a low base given the condition of its existing data. The scale of the task is huge and should not be underestimated.
- Recognition that sustained effort may fail to overcome the barriers to standardising definitions and sharing critical data assets.

Funding models

- Not well-suited to digital change (annuality, preference for capital over resource expenditure).
- Green Book processes make it difficult to demonstrate the case for digital investments.



Lack of skills and leadership

Ambition and risk

- Often not grounded in informed view of the realities and complexities of the starting point of existing legacy systems and data, and looks to sign contracts as a starting point.
- High level visions need to be backed up with planning to a sufficient depth to expose uncertainties by describing activity in detail, laying bare all the complexities, compromises and challenges. Otherwise progress is typically slow and shallow as problems are not unearthed until the later stages when delivery is underway and often contracts have been signed.

Senior leadership

- Only a small proportion of senior decision-makers in government have first-hand experience of digital business. Those whose career development has had a heavy policy focus may also lack knowledge on running operations and implementing technology-enabled business change.

Specialist resources

- Government must be realistic about what is achievable, if it struggles to recruit and retain skills in-house, yet maintains an aversion to the use of contractors and consultants.

Getting the best out of technology suppliers



Lack of strategy for dealing very large suppliers

- No proper strategy for dealing with dominant ‘big tech’ providers beyond ‘One Government’ approach of negotiating MoUs and volume pricing discounts.
- No forward view of demand and supply from departments to help inform future negotiations.

Procurement processes heavily focused on compliance not value

- Culture of reluctance to hold conversations with suppliers outside formal procurement processes to explore the art of the possible, for fear of ‘breaking the rules’.
- Desire to maintain competition through short contract lengths, through a simplistic view of substitutability and transferability, without recognising the practical cost and disruption to organisations of switching, especially for software-as-a-service.

Insufficient attention paid to supplier value after contract award

- Lack of intelligent client function and ongoing relationship management.



Artificial Intelligence

New technologies such as AI provide excellent opportunities for innovation

- Expectations are high. But these are at risk of being misdirected if business leaders fail to understand how best to harness them for use within the existing environment.

The difficulties of practical implementation need to be acknowledged

- AI pilots and experiments are important, but there is a big gap between vision and ambition on the one hand and the ability to roll out solutions for wider practical use on the other.
- Successful deployments of technology will depend on relatively well-defined objectives, a clear business purpose, good-quality data and a clear understanding of how they will be used.
- They will also require major changes to business processes and the workforce as well as adoption of the technology itself.

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Report key findings



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Lessons for the centre of government

There are not enough people with digital commercial skills in government

- GCF does not have all the digital skills needed to reflect the distinct procurement challenges of major digital change programmes.
- CDDO (now GDS), which leads on digital and data policy, is not formally responsible for and is not resourced for more extensive engagement in digital procurement.

Government procurement guidance does not address all the complexities of digital commercial issues

- Government would benefit from greater departmental and external input on the more complex issues in technologically-enabled business change.

Government struggles with the breadth of issues that affects its ability to engage effectively with suppliers

- It needs to invest in capability to improve its understanding of digital markets, its technical expertise and how to partner more effectively with suppliers.



Lessons for departments

Departments do not make full use of their digital expertise when procuring for technology-enabled business change

- Commercial teams do not always engage their internal digital experts at the right time.

Digital contracts are awarded with insufficient preparation

- Programme teams often hasten to award contracts because of pressure to deliver, including before fully understanding what is actually needed from a contract.

Approaches to contract design can negatively impact successful digital delivery

- Government can opt for mechanisms which limit the flexibility for suppliers to use their expertise to help government deliver the desired outcomes.



Recommendations

For the centre

- Decide who should take ownership for addressing the problems identified in our report.
- Produce a sourcing strategy to include improvements in how it deals with 'big tech' and strategic suppliers.
- Create a digital skills plan to plug recruitment shortfalls and to better equip and train decision-makers responsible for digital commercial activities.

For departments

- Strengthen their 'intelligent client function'.
- Identify and develop key requirements before tenders and bid processes commence, and improve how policymakers and technical specialists work together with procurement specialists.
- Improve their capability to collect and use data to inform a pipeline of supply and demand. This would help the centre of government build a more strategic approach to suppliers.



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