

# postnote

July 2003 Number 200 Report Summary

## GOVERNMENT IT PROJECTS

Government departments have 100 major IT projects underway with a total value of £10 billion.<sup>1</sup> However, over the past five years, IT difficulties have affected, among others, the Criminal Records Bureau, Inland Revenue, National Air Traffic Services and the Department for Work and Pensions. The government has a target for making all services available electronically by 2005, so pressure is increasing to improve IT delivery. This POSTnote is a summary of a longer POST report that analyses why some government IT projects fail, the measures government has put in place to tackle these problems and their effectiveness.<sup>2</sup>

### Background

Difficulties with IT delivery occur in both the public and private sectors. A survey across sectors found that only 13% of all IT projects, and less than 1% IT development projects, were successful (on time, to specification and to cost).<sup>3</sup> The POST report examines reasons for public sector IT problems under three headings - government, technology, and managing projects. It also includes case studies, two of which are outlined in the box opposite.

### Government issues

#### Accountability

Private sector IT expenditure is generally not subject to public scrutiny. In the public sector, expenditure is scrutinised by bodies such as the National Audit Office (NAO) and the Public Accounts Committee. It has been suggested that such public accountability can lead to a risk averse culture in government, although the NAO argues that it already supports well managed risk-taking, intended to result in tangible benefits for taxpayers.

#### Publicity

Government programmes are often announced early and sometimes without considering the full delivery implications. In contrast, private sector projects may remain unannounced until delivery, so failed or cancelled projects do not attract media attention.

### The political environment

In the public sector, policy can alter rapidly often leading to IT changes. Also, relevant legislation may not pass through Parliament until just before implementation, so there is potential for last-minute requirements changes.

#### Case studies

##### *Benefits Payment Card project*

The Benefits Payment Card project intended to introduce a magnetic stripe payment card for social security benefits. In May 1996 a PFI contract worth around £1bn was awarded, but three years' later, following continual slippage, the government decided to remove the payment card from the project. Instead benefit payments would be made by automated transfer to claimants' bank accounts. The NAO estimated that this cancellation cost all parties over £1 billion in lost fraud savings, nugatory expenditure and write-down of assets and costs.

##### *Inland Revenue / EDS partnership*

In 1994 the Inland Revenue awarded a ten year contract for IT services to EDS. 1,900 of the department's IT staff transferred to EDS and the contract will be worth more than £2bn by the time it is completed. According to the NAO, the partnership has, by comparison with other major IT projects, helped the department deliver significant changes to demanding timetables. Important factors include involvement by top management, a recognition that both parties need to secure benefits, active risk management and a commitment to resolve issues constructively.

Source: NAO

### Technology issues

Problems specific to IT projects include:

- **Rapidly changing technology.** Government departments may not be familiar with the latest IT, so may be unable to judge whether suppliers are overselling a technology and the ease with which it can be delivered. Technological advances can make projects obsolete before they have been completed, while cutting-edge solutions carry greater risk.

- For IT projects, **user requirements** are often not clear at the start and can change. A 'simple' change to requirements may lead to a fundamental redesign of the system, with time and cost implications.
- **Complexity.** Large computer programmes can be extremely complex, with millions of lines of programming; it is often not possible to estimate how difficult a job will be before it starts.
- **Oversight.** It is hard for non-technical management in government departments to judge the quality or completeness of software being developed between awarding a large contract and the delivery date.

## Project issues

In 2002, the NAO and the Office of Government Commerce (OGC) identified common causes of project failure (see box). The POST report considers issues highlighted by this list; some are summarised below.

### NAO/OGC Common causes of project failure

1. Lack of clear link between the project and the organisation's key strategic priorities, including agreed measures of success.
2. Lack of clear senior management and ministerial ownership and leadership.
3. Lack of effective engagement with stakeholders.
4. Lack of skills and proven approach to project management and risk management.
5. Lack of understanding of and contact with the supply industry at senior levels in the organisation.
6. Evaluation of proposals driven by initial price rather than long term value for money (especially securing delivery of business benefits).
7. Too little attention to breaking development and implementation into manageable steps.
8. Inadequate resources and skills to deliver the total delivery portfolio.

## Relations with suppliers

Much government IT is now delivered by external suppliers, so government needs to be an intelligent client. Departments require a range of skills to scrutinise bids, keep up to date with technology, be realistic about what systems are likely to deliver, understand commercial drivers and actively manage suppliers. As government now has relatively little in-house IT capacity it may be difficult to find people with these skills, although departments can bring in outside expertise if needed.

## Project management

IT projects should be tied into departments' overall objectives, and not simply seen as about technology. High quality project management skills and good communications are essential, so that problems are identified early when they can be more easily solved. Involving the people who will have to use the final service is also critical, to define the requirements, reduce resistance to change and provide for training.

Breaking projects down into small, manageable steps increases the chances of success and makes contingency planning easier. The Cabinet recently ruled out 'big bang'

developments, unless agreed by a senior central scrutiny group. But government departments often have very large systems, which need to be re-developed at short notice due to policy changes - and it can be easier to obtain funding for big, high profile projects.

## Government initiatives

The government has introduced a range of initiatives to improve the success rate of IT projects.

**Gateway reviews**, introduced in February 2001, are applied to new procurement projects in civil central government. An experienced independent review team examines the project at key points. Over 500 reviews have been completed, for projects worth over £60 billion; the process is on target to generate more than £500 million per year in improved value for money.

All major government IT projects or programmes are meant to have a **Senior Responsible Owner**, a single individual responsible for ensuring that the project meets its objectives and delivers the projected benefits. An equivalent position has been proposed for suppliers.

The **Senior IT Forum** is a joint initiative between OGC and the industry group Intellect. It brings together senior managers from government and industry and is working on five main areas, including a government procurement code and guidance on evaluating value for money, such as balancing financial and non-financial factors.

A new civil service **programme and project management specialism** is being introduced, to increase incentives and improve the career path for project managers.

In December 2002 the Cabinet agreed six further key actions to improve delivery of IT projects, including establishing **centres of excellence** for programme and project management in each department.

It is too soon to say how effective all these initiatives will be, and it remains difficult to ensure guidance is followed by all departments and lessons learned from previous project failures. The real test will come with the current round of large-scale IT projects, such as those that are part of the £2.3bn national IT programme for the NHS.

## Endnotes

- 1 *Improving Public Services Through e-Government*, Public Accounts Committee, HC845, August 2002
- 2 *Government IT projects*, POST report 200, Parliamentary Office of Science and Technology, July 2003. This report is available from POST. It is free to Parliamentarians, and costs £7 for non-parliamentarians. See below for contact details.
- 3 *IT projects sink or swim*, Andrew Taylor, British Computer Society Review, 2001

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