Communicating about IT projects:
the UK Child Support Agency CS2 System

In September 2000 the UK Child Support Agency awarded a £427 million contract to Electronic Data Systems to provide a new IT system, which was due for installation in April 2002. When internal costs were included, the new system was estimated to cost £606 million, with financial benefits of £716 million. The new system, called CS2, went live in March 2003 after a year's delay, and within weeks staff began experiencing significant problems with access and response time. Defects in CS2 meant that some transactions became "stuck" and could not be processed, resulting in serious customer complaints.

A substantial amount of additional work was undertaken to repair the defects, and a new business case was prepared in early 2004. The cost of CS2 was now estimated at £805 million, and the benefits at £512 million. By June 2005, CS2 was more stable, but none of its original performance targets, including improved staff compliance with policies and procedures, had been met. Clients continued to experience poor levels of service, there was a backlog of 233,000 unprocessed cases, and 36,000 cases were "stuck" in the system. The Child Support Agency estimated that it had already spent £539 million on CS2, and expected to spend an additional £321 million through April 2009 to make further important repairs. It was unlikely that the full functionality originally planned for the new system would ever be available.

Between 2000 and 2006, forty separate internal audit reviews of CS2 were carried out. Seventy percent of these audits revealed significant risk or control weaknesses. A number of external reviews also expressed important doubts about CS2. However, work continued according to the initial plan until October 2005, at which point the original ten-year budget was completely used up, four years early. New work was then stopped and attention devoted to making what had already been built work properly.

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The Child Support Agency

The Child Support Agency, part of the UK Department for Work and Pensions, was responsible for making sure that parents met their financial responsibilities towards their children when the parents did not live together. This situation could occur following a divorce, or when a child was born to a single mother. Typically, the parent caring for the child made an application to the Agency for support maintenance. The Agency would assess the application and attempt to identify and locate the other parent. The amount payable by the other parent was calculated, and if possible collected and paid to the parent who had care of the child. The Agency chased missed payments, collected debts, and pursued parents who did not pay the required support. At any one time, the Child Support Agency was managing about 1.5 million active cases. Generally, no payment at all would have been collected on 10 percent of the cases, and only partial payment on about another 10 percent.

When the National Audit Office assessed the accuracy of the agency's assessments, it discovered that more than half of the cases contained errors. For ten consecutive years, the UK Comptroller and Auditor General qualified his opinion on the agency due to the effects of these errors. Another analysis showed that the agency spent £0.54 to collect £1 in maintenance, and that there was an estimated £3.5 billion of outstanding maintenance to be collected. To improve these results, and to provide better customer service, the Department had embarked on a wide-ranging program of reform, based around a comprehensive business restructuring and the creation of a new, purpose-built information system. The new CS2 system was intended to receive applications directly from clients, facilitate tracking cases, calculate maintenance payments, and account for the collection and disbursement of maintenance payments. The system would support the introduction of new rules for child support and a simplified calculation for the amount of maintenance to be paid. The agency also hoped that the new system would assist in obtaining from staff compliance with established policies and procedures, which had been an ongoing problem in the past..

CS2

In August 2000 EDS took over the IT capability of the Child Support Agency and the Department of Work and Pensions on an outsourced basis. The Department and Agency therefore did not have sufficient internal technical resources to check the system design delivered by EDS. To test whether EDS were offering value for money, the Agency commissioned a benchmarking analysis of the design for CS2. The benchmarking consultants raised concerns about the low productivity rates proposed, which led to EDS's proposal for the development costs being about twice the consultant's estimate. Another review by a different consultancy confirmed that EDS's estimates were based on productivity rates of approximately one third of industry average rates. The Department's view was that the high rates, together with the sizeable contingency factor in EDS's plans, would help to ensure that the system could be completed within the planned timescales at high quality.

To mitigate the high risks of a large, complex, and long project, the Department set up a comprehensive governance structure. The programme management team met weekly, and both the programme steering committee formed to oversee the development of CS2, and the department change board met monthly. The programme steering committee consisted of Department officials and representatives of EDS, with no independent members.

Some elements of the contract between the Agency and EDS made effective governance more difficult. For example, there was a lack of clarity about the desired outcomes of CS2, and about its intended functionality; there was only limited guidance about how change would be handled; and there was no mention of how EDS might end its involvement in the project. If EDS had ever walked away from the contract, the CS2 development project would have collapsed, leaving the Agency with no legal right to the software code that EDS had created, nor did it have a contingency plan. There was also a lack of clarity about the Agency's own responsibilities for delivering CS2, and indeed about what would constitute the end of development of the system.

When CS2 was announced, the Agency set a goal of having payment arrangements in place for the majority of new cases within six weeks of the receipt of the application. After the system was implemented, however, only about a quarter of the cases were cleared within six weeks, and only two-thirds within six months. The Agency consistently received more cases in a month than it cleared, meaning that its backlog continued to grow. Staff were redeployed from other areas to work on clearing cases, and 1,000 new staff were recruited externally. The perennial problem of obtaining staff compliance with policies and procedures was exacerbated by the creation of more than 600 manual workarounds to deal with defects in the new system. CS2 did not provide the management information necessary to understand the content of work queues or backlogs, nor to readily identify the amount of work that had been done on a given case.

By March 2006, the Agency was still operating its original CSCS system, which CS2 was designed to replace, and in fact 61 percent of its cases were being administered on the old system. An attempt to transfer cases processed on the old system to CS2 had failed, and data transfer to CS2 had been deferred until 2007 at the earliest, to give the new system more time to become stable and reliable. In the words of the National Audit Office report, "The agency is working closely with EDS to rectify known problems and to deliver an effective service to customers by 2007."

Discussion Questions

1. How did it happen that a very large IT project continued for more than five years, despite missing each milestone and receiving many negative audit reports?

2. On paper, the programme governance arrangements looked fine, but in practice there were several governance failures. What went wrong?

3. With the benefit of hindsight, could CS2 have been designed and implemented differently to improve its chances of success?