AD HOC SCRUTINY INTO THE

PROCUREMENT AND IMPLEMENTATION

OF PATHWAYS TO EXCELLENCE

(AN INTEGRATED HOUSING COMPUTER SYSTEM)

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1.   Terms of Reference and working arrangements

The panel members were:
Councillor Julie Stewart-Turner (Lead Member)
Councillor Derrick Yates
Councillor Jean Calvert
Councillor Christine Stanfield
Peter Mackle
Hilary Wainwright

The panel were supported by Richard Dunne, Steve Barnbrook and Mary Brooks from the Overview and Scrutiny Office.

The terms of reference were agreed as:

The Panel will review the approach taken to procurement and implementation of the system and the possible implications of this process.

This will include consideration of the following:

1. To assess the original scoping exercise for the system and to examine whether that exercise fully appreciated the extent of the project, including resource implications, both human and financial
2. To assess the specification designed for the computer system, and whether it best reflected the requirements of KNH and the interests of the Council and its tenants
3. To investigate whether the final system reflected that specification
4. To review the tendering process and test the conclusions made throughout
5. To assess whether the eventual difficulties experienced could have been foreseen during the tendering process and, if so, why they were not
6. To assess the risk to implementation of Choice-based lettings
7. To recommend what future lessons can be learnt from the experience

The panel held meetings in 2008, to receive information and evidence from a range of individuals and organisations. Full list of attendees & witnesses are shown in section 8.

2. BACKGROUND AND CONTEXT FOR THE REVIEW

Why we are doing this?

A request was received for Scrutiny to look at the introduction of a new housing computer system by Kirklees Neighbourhood Housing. The request was submitted by Cllr Palfreeman, Cabinet Member for Finance and Governance, following information received at a Performance Management Meeting, and raised a number of concerns:

- The impact on Performance Indicators of the introduction of the new system, and subsequent effect on CPA/CAA scoring.
- The effects on the level of service delivery.
- The cost to the Housing Revenue Account due to misinformation regarding rent arrears, repairs and voids.

It was suggested by Cllr Palfreeman that an Ad Hoc Scrutiny Panel be set up and that the following issues form the core areas of focus of any Terms of Reference; assess the specification designed for the computer system, and whether it best reflected the requirements of KNH and the interests of the Council and its tenants; investigate whether the final system reflected that specification; review the tendering process and test the conclusions made throughout; assess whether the eventual difficulties experienced could have been foreseen during the tendering process and, if so, why they were not and recommend what future lessons can be learnt from the experience

Background to Kirklees Neighbourhood Housing

Arms Length Management Organisations (ALMOs) are companies that are set up by a local authority to manage a service on its behalf. A Housing ALMO will maintain and improve the housing stock of the local authority who will remain as the landlord and council tenants remain secure tenants of the authority.

The Government decided that local authorities pursuing this option could secure additional capital funding if the new arms-length body received a 'good' rating from the Audit Commission's Housing Inspectorate. Kirklees Council established an ALMO, Kirklees Neighbourhood Housing (KNH), from the beginning of April 2002. Under this arrangement the management of the Council's housing stock was transferred to KNH.

In December 2002 the Audit Commission published its findings* following an inspection of the Kirklees Metropolitan Council/Kirklees Neighbourhood Housing landlord (ALMO) services.

The inspection found that the ALMO service provided to tenants was a 'good ', two star service. It was however noted in the report that there were a number of weaknesses which included a comment on the performance management of key areas of activity with '*data not being available or routinely collected to enable managers to monitor and manage performance'*.

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* *Kirklees Metropolitan Council/Kirklees Neighbourhood Housing Landlord (ALMO) Services December 2002 audit commission report*

Whilst the audit commission recognised that governance arrangements were in place for KNH they found that the relationship between the council and its ALMO could not yet be described as '*arms-length'*. The inspection also noted that the new arrangements had resulted in a separation between the council's strategic and operational housing roles.

Why the need for a new system?

The system being operated by Kirklees Neighbourhood Housing (KNH) was over 15 years old and based on old DOS technology. The need to commission additional modules (individual component parts of a system) over the years led to the system becoming increasingly more complex and costly to manage.

The standard of management information available from the system was poor and significant investment would have been needed to produce the required data. In order to progress to and maintain a three star status KNH would be required to change methods of working across the organisation which could be assisted by the technology available from a modern computer system.

In 2003 discussions began and options considered on how best to proceed with a replacement desk top support service. In September 2003 KNH commissioned a review of their support services with an options appraisal that covered a review of the IT support including mobile and landline telephone provision. Following a market testing exercise an independent consultant's report stated that none of the desktop providers approached would contemplate the specification due to the age and specialist nature of the software applications.

The summary of recommendations stated that KNH should explore the procurement of an alternative Information and Communication Technology (ICT) system and applications based on web technology before committing to year two of the KNH programme for replacing old personal computers.

KNH recognised that in order to achieve its vision of quality homes and services and to meet the changing needs of both the organisation and tenants it needed to invest in a technical infrastructure that was efficient and versatile.

3. Summary of evidence received and the views of the panel for each Term of Reference

This section of the report will present for each individual term of reference a summary of the key evidence received by the panel followed by an outline of the panel's views.

> **Term of Reference 1 - To assess the original scoping exercise for the system and to examine whether that exercise fully appreciated the extent of the project, including resource implications, both human and financial**

Evidence received:

In September 2003 a team made up of officers from both KNH and Kirklees Council was established to undertake a project replacement brief with the aim of producing a draft project plan for the implementation of a new system by the end of February 2004. The original project brief was well thought through and recognised that the role of the project manager would require full time commitment.

The main objectives of the project were to identify user requirements and produce a costing for purchase, installation and implementation of a new system. The team also opened up discussions with a leading independent UK ICT Consultancy Group who had been endorsed for their true independence by the council's IT department Intech. Their brief was to determine a way forward for KNH in respect of future system provision although the proposal that was produced was never taken up, which the panel have been informed was due to the extensive costs involved and also because it was felt at the time that the project was quite well developed.

In May 2004 discussions took place between KNH and an other consultant (an ex-director of the company that had supplied the existing computer system) who provided technical advice on finding a replacement system. The consultant's early advice was that KNH should look at a number of suppliers including IBM, IBS and Orchard although before they explored the wider market they should first discuss options with the current supplier. The consultant felt that consideration should be given to staying with the existing supplier because of the level of bespoke work and the significant amount of resource that would be required to transfer to another supplier.

During 2004 KNH, together with Intech who acted as advisors, undertook some market research to investigate the availability and suitability of replacement systems.

The Project Initiation Document (PID) dated 11th August 2004 details the roles and responsibilities of those involved in the project including the advisors to the project board and team.

The project board was made up of a senior supplier (represented by the head of e-Government), a senior user (represented by the chief executive of Kirklees Neighbourhood Housing) and a project executive represented by the (Head of Housing). The project board appointed a senior manager from KNH as the Project Manager who was supported by two KNH managers and an officer from the

council's Intech service. Other than the Project Manager the individuals appointed to these roles would work on the project while continuing with their core officer responsibilities. There were a number of project teams working on different work streams who reported to the project manager.

Included in the PID were potential constraints to the project which included:

- The requirement to ensure that each project team manager was allowed the allocated time to ensure the project met its deadline
- The importance of providing additional financial and staff resources where required.

In the list of risks that had been identified in the initiation stage of the project the risk of key project team members being unable to fulfil their role was considered as being a medium risk with the potential to have a high impact on the project.

At a project team meeting held in August 2004 the project manager outlined how housing needs had changed and made reference to the fact that the original system included 4 modules and this had grown to a requirement for 28 modules.

The project manager also commented on the number of key requests that needed to be completed as part of the sorting through of the processes for each identified module. This exercise had a six week deadline imposed by the project manager.

At a senior management team meeting In August 2004 the minutes referred to the complexities and associated risks with data transfer which is also mentioned in subsequent documents. The panel has been told that this was highlighted as the most significant risk and influencing factor in the procurement decision.

At a consultation day held with the supplier in September 2004 KNH were presented with a demonstration of business process re-engineering and one of the issues raised was to consider increasing the scope of the project to look at the wider business issues including business improvement.

Part of the project included the introduction of a Document Image Processing (DIP) system with workflow. In preparation for the scanning exercise a memo was sent to all KNH staff in October 2004 requesting staff to radically thin out those files that were no longer relevant to the present tenant or any former tenants. KNH estimated that there were approximately 40,000 house files in various area offices of which many were no longer relevant to the present tenant or any former tenants.

In December 2004 a report went to the KNH Board, Housing briefing (KMC) and Education and People's Services Cabinet Committee. The report concluded that there were two options available to KNH; one was to stay with the current supplier and the other was to purchase an entirely new system. The recommendation was made to stay with the current supplier and implement a two phase implementation:

- Phase one to implement Contact Manager (front of house document information system)
- Phase two to upgrade the data base and common modules (including interfaces with other services).

The financial implications for this two phased approach was estimated at £2.5 million and the capital would be set aside in the Housing Revenue Account.

The Lessons Learned Log dated April 2007 which had been produced by project support highlighted a number of key issues some of which had been raised fairly early in the project. These included:

- Promises of resources to be made available yet individuals continued to focus on their day job - "*we are too busy*" (raised July 2005)
- Miscalculation of work involved in the project and the resources required with the main task of designing the systems falling to four to five "*overworked staff members*" (raised April 07)

In a report to the KNH Main Board dated January 2008 it was acknowledged that all parties had underestimated the size of the project with reference being made to KNH being the first of the supplier's larger customers transferring from an older system to this latest product. In addition KNH acknowledged that they had underestimated the system support team resources required to implement the system and the time required for all other staff to test, validate and train on the new system.

Panel view

- From the start there was agreement from all concerned that the system needed to be updated and the panel strongly supports that this need existed.
- The original project brief from September 2003 appears to have been well thought out and project managed. The original project manager identified that the scale of the project required full time commitment and therefore felt the need to withdraw as he couldn't offer the time needed. However subsequent scoping for the main project does not appear to have built on this strong start, is lacking in detail, and no one was given the role on a full time basis.
- The person who subsequently took on the role of managing the project was already responsible for other duties, and there is no reference to his change of working conditions or evidence that the extra work load of the project was taken into account. Despite lack of evidence the panel has been told the Project Manager was given the freedom to focus solely on this task although the panel feels that the Project Manager required more support due to the size and complexity of the project.
- The panel believes there was a lack of focus early on in the project which led to "scope creep". The most obvious example being the increase from the originally envisaged four modules to 28 modules at a very early stage.
- There was a lack of understanding regarding the implications for human and financial resources. This is acknowledged in the lessons learned log of 2007 and also in the paper to Cabinet requesting more funding in October 2008.
- The panel feels that if the standards set by the original project had been maintained it could have resulted in a much smoother implementation of the new system and reduced the risk of project "scope creep".

Term of Reference 2 - To assess the specification designed for the computer system, and whether it best reflected the requirements of KNH and the interests of the Council and its tenants.

Evidence received:

The team set up in September 2003 to undertake the replacement project brief had *'identify user requirements'* as one of its objectives and a mandate to identify detailed user requirements grouped into essential and less essential items which was referred to as their *'Must have, should have and could have'* requirements.

An independent ICT consultancy company produced a proposal in December 2003 for their involvement in the project which included a consultation process involving key stakeholders to capture the high level business requirements (not IT led requirements) which would be used as a basis for the system review. However this option was never pursued.

In August 2004 a User Requirements Document (URD) was produced for the purpose of detailing a written understanding of the housing system requirements and dependencies. The URD was designed to state in '*precise and explicit language those functions and capabilities the new housing system must provide*'.

At a meeting in August 2004 attended by various members of the project team reference was made to the significant changes in housing needs since the introduction of the existing system.

During the latter period of 2004 members of the project team did a site visit to see a demonstration of the council's revenues and benefits departments system with specific focus on the document image processing element.

A report from the project team to the KNH board, Housing Briefing (KMC) and the Education and People's Services Cabinet Committee stated that during the past nine months staff from both KNH and Intech had visited suppliers of housing computer systems, visited sites and spoken to users to establish their views on specific products and whether or not they had met their requirements.

In addition the report stated that 25 groups of officers from both KNH and Kirklees Strategic Housing were looking at new working practices. The officer groups were looking at ways of moving forward so that housing stock could be more efficiently and effectively managed. Achievement of this objective would require a system that was more user friendly both for tenants and staff.

In a first quarter review of the project it was identified that there was a lack of involvement from Strategic Housing which has been backed up from evidence gathered during witness interviews. In addition the evidence points to a lack of cross service working between the three technical advisors ie. Intech, the preferred supplier, and KNH in-house technical support.

A Capital Business Case detailing the key reasons why the council should support the funding for a new computer system was produced during the early part of 2005. The document highlighted some of the key outcomes/outputs to be produced by a new system which included:

- A more flexible customer service recognised by increases in customer satisfaction
- Enabling tenants and customers to access the service through IT to order repairs, complete applications etc
- Meet the demands of KNH in restructuring to meet changing customer demands
- Creating streamlined efficient processes resulting in improved Performance Indicator's and reduced costs for KNH and KMC.

The contract that was signed on the 23rd August 2005 between Kirklees Council and the supplier details the specification of the two phases of the replacement system in terms of a list of the various applications being supplied and the services to support the implementation. The contract also contains a description of the project which covers the phases and summarises the key benefits to the tenants, staff and managers of KNH.

Panel View:

- A basic level of scoping was done in terms of user requirements, but there is no evidence to support that it has been developed into a complete specification by KNH as the client's agent, or by Kirklees Council as the client.
- Throughout the process there was a lack of cross-service working, and particularly a lack of leadership and accountability from Strategic Housing, who should have been driving the user requirements and protecting the interests of the Council and its tenants.
- The user requirements document of August 2004 was not fully developed and didn't include input from all services that had been identified as being important to KNH.
- The panel feels there is a lack of clarity between the roles and responsibilities of KNH and the council as the new computer system had to meet the needs of many more services than just KNH. Tenant's needs are very diverse and involve many council services.
- There was a lack of prioritisation (must/should/could) of requirements, even though this was identified as a key objective in the brief for the original exercise in September 2003. This meant that there was no framework for evaluation of potential competitive systems.
- A budget was allocated early on of £2.5m from the HRA which is based on very early estimates from the preferred supplier however it appears that this amount was underestimated and important issues had not been given enough consideration e.g. training, scanning etc. The panel believes this is symptomatic of lack of proper planning.
- There was a view held by the panel that much of the specification design quoted in the appendices to the contract had been originated by the supplier, rather than KNH as the client's agent, and that the user requirements were moulded to fit the system rather than the other way round.

Term of Reference 3 - To investigate whether the final system reflected that specification.

Evidence received:

No evidence has been supplied in respect of a completed specification prior to the commencement of the installation which had started under phase 1 before the contract was agreed and signed.

In January 2004 a periodic monitoring highlight report produced by the original project team identified a concern that *'the group lacks technical expertise to draw up final system specification'.*

Much of the evidence received has made reference to user requirements although no document has been seen that contains sufficient detail in the functional requirements or which details a specification design that meets the requirements of users; other than the supplier details of the specification in the appendices of the contract dated August 2005.

Anecdotal evidence presented to the panel implies that users from across a range of services are even now experiencing great difficulties with operating the new system.

Panel View:

The panel didn't have a specification to refer to so the panel was only able to reflect on the negotiation process.

- The panel has not seen evidence of a completed specification based on user requirements.
- The perspective of users from different services is that it doesn't meet all their needs, with many references to the complexity of using the system.
- Lack of expertise within the project team meant they weren't equipped to challenge the information presented and became over reliant on the suppliers as evidenced under previous terms of references.
- Concern over data transfer heavily influenced the process, and potentially, the choice of supplier.
- An experienced project team should have been able to put the risk relating to data transfer in perspective and would have been able to manage the risk and been better equipped to challenge the information from the supplier.

Term of Reference 4 - To review the tendering process and test the conclusions made throughout

Evidence received:

In September 2003 the published Support Services Review commissioned by KNH stated that all service areas explored and tested during the exercise which included the procurement of an alternative ICT system and applications based web technology would be subject to the full force of the EU Services Regulations.

Part of the market testing exercise undertaken from the above review reported that none of the desktop providers approached would contemplate the specification due to the age and specialist nature of the software applications.

The project team set up in May 2004, as detailed in the Project Initiation Document dated 11th August 2004, had in conjunction with Intech undertaken some market research to investigate the availability and suitability of replacement systems.

As part of the market and budget setting exercise the project manager sent a letter (dated 1st October 2004) to potential suppliers of a new system to invite them to submit quotations for a new front end system (Contact Manager) followed by a replacement of the back office module and database. The letter contained an overview from the project manager on which to base the quotation with a response deadline of 12 noon 13th October. Four suppliers replied with each quote showing a summary breakdown of costs and services provided, although one potential supplier emphasised that they would need "*considerably more information"* to be able to provide a "*wholly accurate quotation".*

A private report prepared by the project board and team went to a council meeting in January 2005 requesting approval to the upgrading of the housing system and to agree funding for the procurement of the preferred supplier's "front end " system followed by an upgrade of the current back house office system. Council were also asked to note that the proposed procurement was being undertaken using the exception rules contained within the council's financial procedures contract rules *8.1- a named product needing to be compatible with an existing installation and available from only one supplier and 8.5 - unique or specialist suppliers from any one supplier.*

In documentation dated April 2005 correspondence between Kirklees Council's Legal department and the project manager indicates that Legal had just started to get involved in the procurement process.

In June 2005 further correspondence took place between Legal and the project board seeking clarity on a number of issues prior to agreeing the contract with the supplier including clarity on the method used to purchase the system and the EU services regulations.

Panel view:

- The guidance in the KNH review in September 2003 was very clear over the EU procurement process *"The prospective value of the 3-year contract at about £1.1m means that it is well above the £154k EU threshold and the nature of the supplies means that the full EU regime is applicable. Accordingly, the procurement process will need to involve the crafting of contract documentation including service specification and terms of contract prior to the formal advertisement being placed in the Official EU Journal, OJEC."*
- The Project board felt it was in line with the council's financial procurement procedures and processes taking into account the exception rules
- The panel feels that the introduction of both phases (1 & 2) actually results in a brand new system and so should have gone through the competitive EU process and followed the council contract procedure rules; however the panel recognises that this view is open to interpretation

- During the procurement process there was very limited market testing combined with an unrealistic time scale to respond to the invitations to quote
- KNH should have been aware of the perception from external scrutiny of the relationship with the ex-director of the original supplier who acted as a consultant to the project and who was very influential in the tendering process. The panel however has noted that the consultant did recommend the investigation of other suppliers' systems.
- Greater involvement and input from Legal Services during the early stages of the process could have led to a smoother process and prevented the delays that were experienced with the contract. In addition the project would have benefited from Legal Service's challenge in certain areas such as the procurement process.
- Intech were represented on the board from the outset however the panel feel that Intech should have had a greater practical input throughout all stages of the process which would have helped to increase the technical support and expertise required.
- The Head of Housing Information Systems (HIS) was not in post. In addition it would appear that there was little communication between HIS and Intech or with potential suppliers.

The panel feels that it is unable to make a judgement on the conclusions to proceed with the preferred supplier mainly due to lack of information on the potential systems available elsewhere in the market place and limited evidence of a thorough market evaluation process.

> **Term of Reference 5 - To assess whether the eventual difficulties experienced could have been foreseen during the tendering process and, if so, why they were not.**

Evidence received:

The initial project brief team set up in 2003 utilised strong management principles with a clear and robust framework. The Business Case produced by the team identified a number of risks early on including one that identified *'lack of resources to specify requirements'* as a key issue.

In January 2004 the periodic monitoring highlight report identified a number of issues including:

- Inability to undertake some of the site visits to review potential systems
- An incomplete IT strategy creating difficulties in identifying system requirements
- The vacant HIS Manager post meaning that the report to cabinet outlining the project findings not being written
- An incomplete picture of the users' perspective of the main systems currently available in the marketplace

During the process leading up to the eventual procurement of the system the project team highlighted a number of risks and constraints which could have an impact on the project. In the Project Initiation Document dated the 11th August 2004 there are three constraints highlighted as potentially affecting the successful procurement of a new system:

- That it is essential that each project team manager is allowed the allocated time to ensure the project meets its deadline
- That some of the work packages contributing to the project will require additional financial and staff resources to ensure the target dates are met
- There may be capability and technical capacity constraints

In addition, as part of the risk management of the project, a number of risks were identified which included; the risk that key project team members would be unable to fulfil their role and that project team and stakeholders might fail to give enough commitment to enable the changes to take place.

In October 2004 a memo was sent to all KNH staff stating that as an interim measure to the new computer, work would be undertaken on a document imaging system. Staff were asked to help radically thin out existing files in preparation for scanning any remaining documents into the new system. Reference was made to guidance that would be issued to staff giving them a list of the documents that should be retained.

A Project Board meeting held in January 2005 highlighted a number of issues that centred on the loss of some key staff involved in the project and the lack of capacity in carrying out certain tasks such as the thinning of files in preparation for document scanning.

In a project team meeting held in March 2005 reference was made to the funding for the replacement system having been passed by Cabinet and Council although at this stage contracts had not yet been signed with the preferred contractor. It was also highlighted that a number of issues were still outstanding including the back scanning of house files and the completion of project plans for each project team group.

In another project team meeting held in March 2005 reference was made to the continued delay in contracts and the need to clarify phase one and two of the contract and the consequences that would result from the failure of phase one.

The panel has seen no evidence of an evaluation of phase one prior to the implementation of phase two despite this being identified as a key task in the quality control process of the project.

Panel view:

The panel does not consider that the procurement of the housing system went through the formal tendering process, as it was considered exempt at the time under the council's contract procedure rules. The panel's views therefore focus on what they consider to be the key issues of the procurement and negotiation process.

- The project started well in September 2003 with a solid brief which analysed potential risks. However, from the middle of 2004 the progress of the project suffered from a lack of direction with no clear specification to follow and previously identified risks not being countered.
- There were significant project team changes from an early stage and this lack of continuity led to ongoing problems.

- In August 2004 the User Requirements Document lists 10 potential risks however the panel can see no evidence that these risks were managed during the coming months by the project board or team.
- Work commenced without a contract in place or a 'Heads of Terms Agreement' which gives an outline of the agreement. The panel feels that this placed all parties at unnecessary risk.
- It would appear that the supplier was pressurising KNH to install elements of the system in a timescale that suited the supplier, not KNH. This pressure was a direct result of the supplier being involved with a second large contract with another local authority. In bowing to this pressure, KNH commenced with phase one of the installation earlier than they would have wished or had planned for. The fact that the system went into operation in an incomplete form was confusing to staff and complicated training issues.
- Proper use of project management disciplines would have avoided many of the issues, including the apparent lack of quality control.

Term of Reference 6 - To assess the risk to implementation of Choice-based lettings.

Evidence received:

Evidence provided by the Council's corporate performance department stated that previously identified risks to the implementation of choice based lettings, and subsequent risks to CPA/CAA have been resolved.

A report to the project board dated 4th January 2005 highlighted an issue concerning the volume of work required in thinning out house files with the solution of hiring 10 temporary staff on the 10th January 2005 for a 12 week period.

The management team meeting held in March 2005 confirmed that from April 2005 it was intended to commence with the scanning of all the house files which would subsequently be destroyed.

Panel view:

- The panel finds that, other than tidying up the database (as there is confusion over some addresses), there is no apparent risk to the implementation of choice-based lettings.
- Due to the changes to the performance (CPA) system there do not appear to be any key housing indicators that the authority are likely to fail.

Term of Reference 7 - **To recommend what future lessons can be learnt from the experience.**

Evidence received:

In 2007, a "lessons learned log" was produced and is a frank document which identified many problems that the project had experienced and, in some cases, continued to experience throughout the lifetime of the project.

In October 2006 a risk log produced by the project team highlighted a number of risks that had been identified, with each risk being marked on how successful the project was in managing them.

At a meeting held in July 2007 between KNH, the supplier, InTech and Strategic Housing to review the lessons learned logs that each party had completed it was recorded that *'the main concern from all parties was the underestimated scope of the project affecting resources, the consistency of the supplier consultants and the competition for resources with another authority'.*

External audit were requested to review elements of the 'Pathways to Excellence' project and the main conclusions listed in a draft report dated 2007/08 are:

- *The project has suffered delays and cost overruns due to initial problems with inadequate resource allocations in terms of financial budget and identification of staff time to allow for support to the project.*
- *There are a number of ways the project has not met best practice and these are set out in the detailed matrix at Appendix 1. Important areas where the project did not meet best practice are:*
  • links to corporate programme level management;
  • business case management;
  • project planning;
  • project controls and use of stages; and
  • change control.
- *The project is now approaching a place where a new beginning is appropriate and the Project Board is considering a formal review of how the project should proceed. We would recommend a new start for the project or at least a formal stage end report and review process.*
- *This new start should include a review of the business case, the risk log and a renewal of project plans and consideration of each of the recommendations in the detailed matrix at Appendix 1.*
- *Some of the recommendations are aimed at the corporate centre of Kirklees Council, but we understand that there is currently no programme of project office or support function to which these recommendations can be made. We will seek to take these recommendations to the appropriate officers as part of our other audit work.*

At the time of writing this report the panel are not aware of any response being made to external audit's conclusions and recommendations.

Panel view:

- The panel agrees with the project team's lessons learned document
- The panel is grateful to external audit for their comments on the project management.
- The lack of time allowed for project management throughout the lifespan of the project was at the heart of all the difficulties experienced and the panel feel that the project did not have the status that it merited.
- The panel feels there should have been greater ownership and involvement from Strategic Housing throughout the whole process.
- The panel also feels that; If KNH had been buying their own system for their own use they could have been able to work independently of the authority resulting in a less demanding schedule. However, this system has

interfaces with many other council functions (e.g. building services, revenues and benefits) each with their own systems which has added to the complexity of the project.
- The panel feels that the individuals involved were tasked with having to achieve too much without being given the appropriate time and resources

4. Other issues not covered by original Terms of Reference

During the course of the scrutiny process, certain issues and information arose which, whilst outside of the scope of the original Terms of Reference, were felt by the panel to be significant enough to merit inclusion in this report and to draw lessons from, for the benefit of future projects.

Training

From the outset it is evident that insufficient consideration was given to training needs and therefore inadequate resources to meet those needs. Training requirements should be part of the user specification from the outset.

The panel feels that training was insufficient and inappropriate in many cases. The panel was unable to evidence much in the way of training records and witness statements indicate a range of poor experiences such as:

- Staff turning up for training when the system was down, so were talked through the system without being able to view it in operation and still asked to sign training records.
- Staffed trained up to three months prior to the system going live and therefore not having the opportunity to put into practice what they had learnt.
- The staff that had been trained early on were faced with an updated version by the time the system went live.
- Subsequent training has been dependent on 'briefing sheets' with limited opportunities to question and consolidate learning.
- Individuals being left to organise their own staff training leading to inconsistencies in standards.

Scanning and document handling

Part of the 'Pathway to Excellence' project involved the implementation of a Document Image Processing system (DIP) with workflow.

In preparation for the DIP a memo distributed to all KNH staff in October 2004 stated that there would be a need to radically thin out the house files and it was requested that each office nominate one member of staff to undertake this task.

The memo stressed the need to ensure that the same people should be involved throughout the task in order to reduce the amount of training and to ensure consistency in what was retained and destroyed.

The panel feels that the planning and implementation of the scanning of files was poorly handled. It had originally been envisaged to have two teams of seven housing staff doing this work. One team would operate in North Kirklees and the other in South Kirklees. Within a short space of time the plan to use housing staff

was replaced by the use of agency workers (scanning documents without housing expertise).

Anecdotal evidence suggests that there does not appear to have been clarity on which documents were to be retained for scanning and which were to be "thinned" from files prior to this exercise. Reference was made that guidance as to what documents needed to be retained would be circulated to all staff although the panel have not seen any evidence of this guidance as having been issued.

In any event, the panel is concerned that original paper records were destroyed only three months after scanning (bearing in mind that the project team anticipated that the scanning in of all documents was expected to take approximately 24 weeks). There was the potential for vital documents to have been destroyed without a back-up version being available, due to human error. This was also well in advance of any "go live" date. The panel believes that the project team should have followed the guidance laid down in the retention schedules (April 2004) and the Information and Knowledge Management (IKM) guidance note (May 2005) both readily available on the intranet**. Therefore the panel recommend that all future projects follow this guidance**

Implementation and Evaluation of Phases

The 'Pathways to Excellence' project was anticipated to be a two phase project phase one being the front of house 'contact' management system and phase two being the replacement of the back office data base. These two phases were very interdependent and therefore planned at the same time but phase two did not have to proceed if there were any problems with the implementation of phase one.

The panel has not seen any evidence of evaluation of phase one and later documents make reference to the need to implement sections of phase two at the same time as phase one. The panel feels that the unrealistic time pressures made the implementation of the phases difficult.

The overlapping of the implementation of the two phases added further complications for all users as well as technical staff and difficulties in contract negotiations.

5. Panel recommendations

These recommendations are based on the evidence received in the course of this scrutiny episode which focussed solely on the procurement and implementation of the "Pathways to Excellence" Housing Computer System, but they are aimed at all future major projects, of whatever nature.

- The Council should create an independent project management team with the appropriate skills to assist services to undertake all major projects to the required standards as specified in the Kirklees Council Framework for Successful Projects.

- The panel believes that the project team should have followed the guidance laid down in the retention schedules (April 2004) and the IKM guidance note (May 2005), both readily available on the intranet. Therefore the panel recommends that all future projects follow this guidance.

- When records are transferred from hard copy to digital that no records are destroyed until the system is fully operational as well as following the guidance referenced above.

- The panel recommends a review of the document retention policies to take into consideration the growth in partnership working for example to establish the ownership or needs of documentation.

- There should be a proper, robust and documentary evidenced assessment of the market place, even if the procurement is "excepted" under EU rules or Kirklees financial procedure rules.

- There should be a thorough assessment of need in the production of a fully-detailed project specification. This should be evidenced.

- Training should be run on a working demonstration system that mirrors what users will be operating.

- A module of a system that is known to be incomplete and liable to material change prior to implementation should not be installed and NEVER used for training purposes.

- The project board should be made up of people at a senior level, and must have legal, financial and relevant technical expertise. It should be capable of succession planning and communicating appropriately. They are the accountable body and must take ownership of the project.

- The project team should operate across all relevant services and must be supported at the highest level. They should work in conjunction with user panels.

- There should be regular reports to Cabinet or the most appropriate public body.

- All Heads of Service should attend training or a refresher course on the Council's Contract Procedure Rules.

6. BROAD TIMELINE COVERING THE PANELS REVIEW INTO THE INTRODUCTION OF THE UNIVERSAL HOUSING COMPUTER SYSTEM

1990	Introduction of the original in-house system
April 2002	The council set up Kirklees Neighbourhood Housing (KNH) to undertake the landlord functions of its housing stock. KNH is established as an Arms Length Management Organisation (ALMO) with an initial agreement covering 5 years.
September 2003	Project brief prepared for "Replacement of the KNH InHouse system"
October 2003	KNH start the initial discussions leading to the agreement that a replacement is needed for the old in-house system due to its technological constraints and the lack of flexibility in being able to meet the demands of the current day market
April 2004	Formation of the programme board and project team and the preparation of the Project Initiation Document commence.
June 2004	Agreement by the Project team to commission an in depth review of providers of Housing systems
August 2004	KNH Senior management Team , Project Team Managers and Product Managers are briefed on the 3 options being pursued: 1. Tender for a New Housing System 2. Tender for a separate module linked to one database 3. Stay with existing supplier (The supplier) and upgrade
October 2004	As part of the 'market' testing and budget setting KNH send out invitation for quotations based on two options 1. Introduction of a new front end to the system (contact manager) followed by a replacement of the back office module and database 2. Continue with present system and replace with a phased new package starting with the data base
December 2004	Report taken to KNH Board, Housing Briefing in Kirklees Council and Education & People Services cabinet committee to seek approval for capital expenditure in 2005/06 for the provision of a replacement Housing Computer System. Two options are presented : 1. purchase an entirely new system 2. stay with the current supplier Recommendation supported by Internal Audit, Legal Services and Intech is made to stay with current supplier.
January 2005	Report taken to Housing Briefing Cabinet Committee for Education and Peoples Services seeking approval for a £2.5m capital scheme for the upgrade of the current housing system.

	Two options presented: 1. Procure a new system 2. Two phased approach with existing supplier staring with the implementation of a new 'front end' and finishing with an upgrade to existing back office system Recommendation requested for approval to proceed with option two subject to Council approval of the Housing capital plan 2005-8. Proposed procurement is noted under Contract Procedure Rules 8.1 and 8.5
February 2005	Cabinet and Council give approval for £2.5 m to be earmarked from the Housing Revenue Account to fund the Housing IT replacement project
April 2005	Legal approached to provide letter of intent in order to provide advance payment to The supplier. Legal start discussions with The supplier to agree details of the contract.
August 2005	Contract signed with the supplier
October 2005	Strategic Finance Service publish internal Audit report reviewing the project controls for the first phase of the project
December 2005	Introduction of contact manager completes phase1 and phase 2 database migration from the old in-house system to new Housing Computer System begins
October 2006	Staff begin testing the new Housing Computer System
January 2007	Staff Training programme commences
April 2007	New computer system goes live with certain modules including Rents/Arrears, Homelessness and Allocations
June 2007	Executive Management Group (EMG) alerted to the potential negative impact that the introduction of the new Housing Computer System will have on certain areas of the Housing Performance indicators
December 2007	Repairs module introduced to Housing Computer System
June 2008	Overview and Scrutiny Management Committee agree the terms of reference for reviewing the introduction of the Housing Computer system following a request submitted by Cllr Andrew Palfreeman, Cabinet Member for Finance and Governance.

7. Glossary of terms

ALMO – Arms-length management organisation. A company set up by a local authority to manage and improve all or part of its housing stock. The company is owned by the local authority and operates under the terms of a management agreement between the authority and the ALMO. An ALMO is managed by a board of directors which includes tenants, local authority nominees and independent members.

BVPIs – Best Value Performance Indicators. BVPIs were one mechanism by which the performance of a local authority was assessed against a pre-determined set of targets. Discontinued in 2008.

CAA – Comprehensive Area Assessment. An independent assessment of the prospects for local areas and the quality of life for people living there. Replacing CPA in 2009.

Contact Manager – a records management software system

CPA – Corporate Performance Assessment. The essence of a CPA framework is that it draws on a range of information such as performance indicators, assessments of corporate capacity, audit and inspection reports, and stakeholder opinions to reach a single judgement about the performance of a local body.

CPR – Contract Procedure Rules.

DIP -Document Image Processing - A method of capturing images through the scanning of papers and documents for online storage, retrieval and management.

Heads of Terms Agreement – A non-binding document outlining the main issues relevant to a tentative partnership agreement.

HRA – Housing Revenue Account. This is a ring-fenced fund purely for the delivery of housing-related programmes. It is partly made up of rental income, and may also include government subsidy.

InHouse – The previous software system

KNH – Kirklees Neighbourhood Housing

LAA - Local Area Agreements (LAAs) set out the priorities for a local area agreed between central government and a local area (the local authority and Local Strategic Partnership) and other key partners at the local level.

OLAP – Online analytical processing

OLAP cube -An OLAP cube is a data structure that allows fast analysis of data

Pathways to Excellence – the project to replace the computer system

PID – Project Initiation Document - A PID is a logical document whose purpose is to bring together the key information needed to start a project on a sound basis.

Workflow - An automatic procedure designed to deal with work loads

8. Attendees and Witnesses

The review was carried out between June 2008 and October 2008 and included reviewing relevant documentation and interviews with:

- Chief Executive , Kirklees Neighbourhood Housing
- Principal Housing Manager, Kirklees Neighbourhood Housing
- Head of Service, Strategic Finance
- Director for Adults and Communities
- Director of HR and Organisation Development
- Corporate Performance Manager, Performance and Communication
- Internal Audit Manager, Strategic Finance
- Audit Manager. Audit Commission
- Head of e-Government & ICT, Intech
- Service Delivery & Access Manager, Intech
- Head of Housing, Strategic Housing
- Senior Legal Officer, legal Services
- Officers representing:
    - Building Services
    - Kirklees Direct
    - Housing Officers
    - Revenues and Benefits

9. Sources of Evidence

1. Business case - KNH Information and Communication Technology (ICT) Replacement project
2. KNH IS/IT Replacement project Brief
3. KNH Support Services Review Final Report
4. Independent ICT Consultancy proposal
5. Document detailing conversation with the independent consultant
6. User Requirements Document - Housing System
7. Pathway to Excellence - Project Initiation Document
8. Project Team meeting -August 2004
9. Notes from Consultation day - Consultation and Demonstration of Business Process Re-engineering
10. Letter of invitation to submit quotations as part of the market testing and budget setting process
11. Memo to KNH Staff detailing the work to be undertaken in preparation for the Document Imaging System
12. Briefing noted for admin on the Document Imaging Process
13. Notes from site visit to Revenues and Benefits
14. Kirklees Neighbourhood Housing Board meeting - December 2004
15. Pathway to Excellence Board Meeting - January 2005
16. Private report to Council
17. Kirklees Metropolitan Council Capital Business Case - "Pathway to Excellence"
18. Notes from Project Team meeting - March 2005
19. KNH Management Team document covering options for consideration prior to the implementation of replacement computer system
20. Project Team Meeting - March 2005
21. Correspondence covering Legals involvement in the procurement process
22. First quarter review 2005/06 - Pathway to Excellence
23. Correspondence between Legal and members of Project Board covering contract issues
24. Risk Log produced by Project Support - October 2006
25. Project Team Lessons Learned Log - April 2007
26. Post implementation review notes - July 2007
27. Report to KNH main Board - Universal Housing update January 2008
28. External Audit draft report 2007/08 - Reviewing the project management arrangements
29. Contract of agreement between The Council of The Borough of Kirklees and Comino PLC

10. Procurement and Implementation of pathways to excellence

Scanning and document handling - Addendum

The panel have received some late evidence which includes guidance notes for those KNH staff who were involved in the clearance of house files in preparation for the implementation of an Electronic Document Management system. The panel have also been made aware that the team of temporary staff who were given the task of thinning the house files spent a day training to go through the task.

Despite this additional information the panel feel they have not received sufficient evidence to re-assure them that there were adequate quality controls in place and remain cautious over the level of supervision that took place in the area offices.

11. Action plan incorporating Cabinet Members response

Name of panel : Ad Hoc Scrutiny Panel - Review of the Procurement and Implementation of "Pathways to Excellence" (an Integrated Housing Computer System)				
Recommendation	Responsibility	Proposed Actions and by who	Target Date	Progress
• The Council should create an independent project management team with the appropriate skills to assist services to undertake all major projects to the required standards as specified in the Kirklees Council Framework for Successful Projects.	Cllr Andrew Palfreeman	The Council will continue to use 'Framework for Successful projects '(FSP). The Council has a number of highly experienced project and programme managers to support services as and when required. The creation of a standing independent project management team would not be an effective use of resources. Staff will be identified in accordance with the remit of the project.	Ongoing	
	Cllr Elizabeth Smaje	Housing Services have recently reviewed the project management arrangements following an audit report and will also review arrangements for ongoing phases of the project to learn from this recommendation. (Head of Housing)	Ongoing	

Name of panel : Ad Hoc Scrutiny Panel - Review of the Procurement and Implementation of "Pathways to Excellence" (an Integrated Housing Computer System)				
Recommendation	Responsibility	Proposed Actions and by who	Target Date	Progress
• The panel believes that the project team should have followed the guidance laid down in the retention schedules – April 2004 and the IKM guidance note –May 2005, both readily available on the intranet. Therefore the panel recommends that all future projects follow this guidance.	Cllr Andrew Palfreeman	Agreed. It is the intention to set up an auto delete of electronically stored documents once they reach the agreed timescale for retention. This is not likely to be in the near future, however, a full consultation process will be undertaken to ensure all current guidelines and legalities are adhered to. In future this recommendation will be followed and guidance sought from the Council's Information Management team. Back up information held and retained. (ICT Manager)	2010	
• The panel recommends a review of the document retention policies to take into consideration the growth in partnership working for example to establish the ownership or needs of documentation.	Cllr Andrew Palfreeman & Cllr Elizabeth Smaje	Agreed. KNH will ensure that this is undertaken by the Company Administrator. Data is backed up nightly following corporate procedures as part of this project. (KNH Company Administrator)	2010	

Name of panel : Ad Hoc Scrutiny Panel - Review of the Procurement and Implementation of "Pathways to Excellence" (an Integrated Housing Computer System)				
Recommendation	Responsibility	Proposed Actions and by who	Target Date	Progress
• There should be a proper, robust and documentarily evidenced assessment of the market place, even if the procurement is "excepted" under EU rules or Kirklees financial procedure rules.	Cllr Andrew Palfreeman and Dick Hewitson (Director of Finance) Cllr Elizabeth Smaje	Agreed, albeit it should be recognised that in any complex procurement exercise there will need to be judgement exercised across all aspects of the decision. SHS/KNH are currently in discussions with KC procurement and Legal to ensure any further purchasing associated with this system and related systems follows Council Procurement Framework and EC requirements (KNH Project manager)	Ongoing Dec 2008	.
• There should be a thorough assessment of need in the production of a fully-detailed project specification. This should be evidenced.	Cllr Andrew Palfreeman	The Council and partners will in future projects undertake to produce robust and fully detailed project specification based on a thorough assessment of outcomes required. To simply focus on need will lead in itself to comparatively short term benefits. The training on FSP will be reviewed to ensure this is embedded. (KC Corporate Learning and Development)	Ongoing Dec 2008	

Name of panel : Ad Hoc Scrutiny Panel - Review of the Procurement and Implementation of "Pathways to Excellence" (an Integrated Housing Computer System)				
Recommendation	Responsibility	Proposed Actions and by who	Target Date	Progress
• Training should be run on a working demonstration system that mirrors what users will be operating.	Cllr Elizabeth Smaje	A Training Database is available and used which mirrors the live system for the housing project. New developments and modules such as Choice based lettings (CBL) will be written, tested and signed off as acceptable on the Development Database before being transferred onto the Training Database for the main training programme (ICT Manager)	Ongoing	
• A module of a system that is known to be incomplete and liable to change prior to implementation should never be installed and NEVER used for training purposes.	Cllr Elizabeth Smaje	Housing will ensure a full test plan will be undertaken for any system changes/additions and signed off as acceptable before training commences. (ICT Manager)	Ongoing	A change control/management process has been written and is currently being used which summarises the change request and test outcomes.

Name of panel : Ad Hoc Scrutiny Panel - Review of the Procurement and Implementation of "Pathways to Excellence" (an Integrated Housing Computer System)				
Recommendation	Responsibility	Proposed Actions and by who	Target Date	Progress
• The project board should be made up of people at a senior level, and must have legal, financial and relevant technical expertise. It should be capable of succession planning and communicating appropriately. They are the accountable body and must take ownership of the project	Cllr Elizabeth Smaje	The Pathways to Excellence project followed the Prince2 guidelines and called upon legal and financial expertise when thought to be an appropriate time, however, the panels comments will be fed into Change Management plans to ensure consistency/quality assurance and appropriate communication within the Project Board. (Pathways to Excellence Project Board)	Ongoing	
• The project team should operate across all relevant services and must be supported at the highest level. They will work in conjunction with user panels.	Cllr Andrew Palfreeman & Cllr Elizabeth Smaje	The spirit of the recommendation is understood, however, the nature/membership of a programme/project board should be commensurate with the size and scope of the work and the stage of the projects.	N/A	Housing are currently looking at ways to better implement change. KNH managers have already met to discuss this in relation to the project and are moving forward with plans. (Director of Business Development). The project team has incorporated user involvement in the existing project.

Name of panel : Ad Hoc Scrutiny Panel - Review of the Procurement and Implementation of "Pathways to Excellence" (an Integrated Housing Computer System)				
Recommendation	Responsibility	Proposed Actions and by who	Target Date	Progress
• There should be regular reports to Cabinet or the most appropriate public body.	Cllr Andrew Palfreeman	The volume of programmes and projects underway at any one time in the council means that the reporting to Cabinet should be at a level commensurate with the risk. Similarly the reporting to EMG.	Ongoing	
	Cllr Elizabeth Smaje	Housing will ensure that regular reports are fed into Head of Service/Portfolio Holder and Cabinet as appropriate. KNH Chief Executive will also report to the KNH Board.	Ongoing	
• All Heads of Service should attend training or a refresher course on the Council's Contract Procedure Rules.	Cllr Andrew Palfreeman	Directors and Heads of Service will be reminded of the importance of senior managers having a full understanding of the Council's CPRs and that this should be considered during Performance review & Development (PRD). The recommendation is not considered to be a reasonable or sustainable approach to the issue. (Director - HR and Organisational Development)	19.12.2008	