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Department for Communities and Local Government

The failure of the FiReControl project

Summary

1 FiReControl aimed to improve the resilience, efficiency and technology of the Fire and Rescue Service by replacing 46 local control rooms with a network of nine purpose-built regional control centres using a national computer system to handle calls, mobilise equipment and manage incidents.

2 FiReControl commenced in 2004 and was expected to be complete by October 2009. In 2007, the Department for Communities and Local Government (the Department) contracted European Air and Defence Systems (EADS) (now Cassidian) to design, develop and install the computer system underpinning the project. However, the project was subject to a number of delays and costs escalated over its lifetime.

3 The Department cancelled the project in December 2010 after concluding that it could not be delivered to an acceptable timeframe. At the point the decision was made, the Department estimated it had spent £245 million on the project and calculated that completion would take the total cost of the project to £635 million, more than five times the original estimate of £120 million.

4 This report examines why the Department failed to deliver the project and the extent to which it is minimising waste arising from the decision to terminate.

Key findings

FiReControl was flawed from the outset because it did not have the support of the majority of those essential to its success – its users

5 The approach and regional structure underpinning the project were not generally supported by those that were essential to its success – Fire and Rescue Services. The Department did not make sufficiently clear the case for a centrally-dictated standard model of emergency call handling and mobilisation, operating from new purpose-built regional control centres. From the start many local Fire and Rescue Authorities and their Fire and Rescue Services criticised the lack of clarity on how a regional approach would increase efficiency. Early on, the Department's inconsistent messages about the regionalisation of the Fire and Rescue Service led to mistrust and some antagonism.

6 The Department did not sufficiently incentivise local Fire and Rescue Authorities to partner in FiReControl's delivery. Local Fire and Rescue Authorities were under no obligation to use the regional facilities. The Department did not devise, or communicate a set of sufficient incentives to encourage them to support its delivery. None of those who responded to our survey were satisfied with the way in which the Department communicated operating arrangements for the regional control centres. Accountability for delivery was not placed in the hands of the Fire and Rescue Authorities that had the authority to commit the resources and accept operational responsibility.

The Department underestimated the project's complexity and costs whilst benefits were exaggerated

7 The Department underestimated the complexity of designing a system to meet the needs of Fire and Rescue Services and then failed to provide effective management. The Department assumed that the development of the IT system would be straight-forward, involving the integration of already customised components. However, in order to accommodate the wide variation in operational needs of the Fire and Rescue Services, key components required substantial modification. The Department did not take sufficient ownership of the development of the IT system to achieve the required standardisation, delegating too much responsibility for ensuring the needs of services were met to the contractor. In 2009, an Office of Government Commerce review found that there was no single, authoritative owner of the user requirements and that bringing together 45 sets of rules across the Fire and Rescue Service was inherently complex.¹

8 FiReControl was based on unrealistic estimates of project costs and expected local savings. The Department and Treasury committed to the project in 2004, but did so on the basis of very broad-brush and unrealistic estimates of costs of £120 million and an anticipated overall net saving of £86 million. These estimates did not include the costs of meeting local and regional implementation, or the costs of installing equipment, and overestimated the savings that could be achieved locally. It was not until 2007 that the Department carried out its first comprehensive assessment of costs and savings, which estimated the project would cost £340 million, and in fact involved additional expenditure of £50 million.

The Department failed to provide the necessary leadership and management to make the project successful

9 Governance arrangements in the first five years of the project were complex and ineffective, which led to unclear lines of responsibility and slow decision-making. Additional layers of governance were created in response to emerging issues without clear lines of decision-making, accountability, responsibility, assurance, or internal challenge. In 2008, the Office of Government Commerce concluded that the project board was not operating as an effective decision-making

¹ *Report on FiReControl project, Office of Government Commerce, October 2009.*

forum.² It was similarly concerned in 2009 about a cultural failing to share bad news early “across the breadth of the project” and that too many false starts and promises on resource requirements undermined confidence.³ The Department strengthened its governance arrangements in 2009, but it was too late to rectify earlier problems.

10 The project lacked consistent leadership and direction, and was characterised by a high turnover of staff and over-reliance on poorly managed consultants. During the life of the project there have been five different Senior Responsible Owners, four different Project Directors and five officers supervising the delivery of the technology. Only two senior managers worked on the project for its duration, one of whom, the project manager, was on contract from a consultancy. There was no framework to assess consultants’ performance until late 2008, despite the fact that consultants and temporary contract staff made up almost half the Department’s project team during this period.

11 Until 2009, the Department did not take a sufficient grip to sort out early problems with delivery by the contractor for the IT system. There was little real progress due to problems with the integration of a number of sub-systems, and the Department’s failure to ensure that EADS followed the contracted approach in developing the system, until spring 2009, when the Department started to get a grip on the situation. A lack of openness and an adversarial stance between both parties towards problem solving led to the slow resolution of issues.

12 Poor contract design impeded the resolution of issues and the termination of the project at an earlier stage. A lack of interim milestones undermined the Department’s ability to hold EADS to account for delivery. The payment schedule meant that EADS would be paid only once a key milestone for the building and testing of the system had been passed. The delays to delivery led to cash flow difficulties for EADS, which created further tensions in an already strained relationship.

The Department took decisive action to cut its losses and cancel FiReControl

13 The Department took action from June 2010 and committed to holding EADS to contract, with a view to terminating if it could not deliver, whilst reducing the risks to the Department posed by termination. The Department considered contingency options and termination of the contract in 2008 and 2009, but decided to continue on the basis that, at the time, it had confidence in EADS’ continuing ability to deliver. In June 2010, the Department took legal advice and decided that it would be unable to terminate its contract with EADS without incurring substantial compensation payments provided for under the contract. The Department activated a key milestone for EADS in June 2010 requiring EADS to deliver the IT system by mid-2011, and between July and October it documented a series of outstanding breaches against the project agreement. In November 2010, following further legal advice, the Department placed EADS in material breach of contract.

² *Report on FiReControl project*, Office of Government Commerce, October 2008.

³ *Report on FiReControl project*, Office of Government Commerce, October 2009.

14 The Department was justified in cancelling the project. The Department estimated that continuing with FiReControl would cost £390 million, but that delivery would be delayed by another year to May 2012. In comparison, cancelling the project and upgrading local control rooms would cost between £310 and £400 million. The uncertainty over delivery and associated additional costs of FiReControl were such that the Department decided that the contract should be terminated.

15 On terminating the IT contract, the Department received a settlement of £22.5 million from EADS, but during the project made an overall net payment to EADS. The Department agreed a settlement with the contractor in December 2010. During the contracted period, the Department paid EADS £40.0 million. Alongside the settlement, the Department retained equipment worth £5.7 million. This resulted in an overall net payment of £11.7 million being paid to EADS. Although the compensation from EADS cannot be described as significant in the wider sense of the project's overall expenditure, the Department's position at the time, due to underlying weaknesses in the contract, justifies it in considering the outcome to be better than it might have feared.

16 The Department's failure to manage the project as a whole has resulted in the creation of empty regional control centres. The nine regional control centres were purpose-built to house the new computerised equipment and were designed specifically for that purpose. The Department's decision to prioritise the procurement of the centres over the IT system at an early stage meant that the first centres were completed in June 2007, just three months after the IT contract had been awarded. All nine regional control centres were delivered before the cancellation of the project. The Department incurred costs of £32 million in upkeep of the empty centres to the end of March 2011.

17 The Department is trying to reduce ongoing future waste by incentivising local Fire and Rescue Services to use the empty regional control centres. The Department is responsible for rent, utilities and facilities management costs for each of the nine regional control centres. It is currently offering Fire and Rescue Services subsidies to use the centres, but so far only the London control centre has been re-let. The likely remaining total cost of the centres to the Department is estimated to be a minimum of £247 million, and up to £431 million, until the final lease has expired in 2035.

18 The cancellation of FiReControl means local control room functionality and interoperability continues to be variable. The Department ran a consultation on the future of fire and rescue control services in England between January and April 2011, which asked Fire and Rescue Services whether the original objectives of FiReControl remained important, and how these might be achieved. The Department's preferred approach of increased collaboration – determined locally – with some government funding, was widely supported.

Conclusion on value for money

19 This is an example of bad value for money. FiReControl will have wasted a minimum of £469 million, through its failure to provide any enhancement to the capacity of the control centres of Fire and Rescue Services after seven years. At root, this outcome has been reached because the Department, without sufficient mandatory powers, decided to try to centrally impose a national control system on unwilling locally accountable bodies, which prize their distinctiveness from each other and their freedom to choose their own equipment. At the same time, it tried to rush through key elements of project initiation and ended up with an inadequate IT contract, under-appreciating its complexity and risk, and then mismanaged problems with the IT contractor's performance and delivery.

20 The key aims of delivering a new IT system and introducing business change at the local level were undelivered. The delivery of nine regional control centres took place but they currently remain empty and are costly to maintain. The Department is now trying to minimise the future cost of these buildings, which could be as high as £431 million over the remaining 24 years, by transferring their leases to Fire and Rescue Authorities, but currently it has few other means of substantially reducing its liabilities.

21 We recognise the Department made a bold decision to cut its losses by terminating the contract and limiting the downside as far as possible.

Recommendations

22 The issues leading up to this failed project are by no means unique or isolated. Government IT projects can appear to take on a life of their own, continuing to absorb resources without ever reaching their objectives.

23 This report contains three sets of recommendations to:

- a** address the immediate need for the Department for Communities and Local Government to ensure waste as a result of FiReControl is kept to a minimum;
- b** ensure other Departments learn the lessons from the way FiReControl was terminated; and
- c** help the Department for Communities and Local Government to continue to develop its approach and capacity to tackle large-scale IT enabled change projects in the future.

a On reducing further waste from FiReControl

24 The future cost of regional control centres is likely to be high because of the long-term leases agreed with developers. The Department has yet to establish how the original project objectives of FiReControl of resilience and efficiency can be achieved. The Department should manage this process as a new programme with clear objectives, lines of reporting and governance. In so doing, it should:

- continue to work closely with local Fire and Rescue Services to encourage them to utilise regional control centres and, where this is unlikely, examine ways to maximise utilisation by exploring demand from other public and private sector bodies;
- identify effective levers to encourage Fire and Rescue Services to work together;
- consider how the required level of assurance on sub-national interoperability can be met where the Department is unwilling to use its power to impose solutions on Fire and Rescue Services;
- review whether local arrangements provide sufficient certainty of response and deployment of resources on a local, regional and national level; and
- ensure there is a clear process for measuring outcomes, evaluating performance and demonstrating value for money through local delivery.

b On holding contractors to account and terminating projects

25 The terms and conditions of the FiReControl contract with EADS limited the Department's ability to hold them to account. Departments managing long-term projects should:

In designing a contract;

- ensure contract terms and conditions clearly define accountabilities, responsibilities and the requirements which if not met will constitute material breach; and
- retain Departmental ownership and accountability for the risks critical to the project's success.

Government Departments can nevertheless learn lessons from the Department when terminating a contract;

- sharpen short-term contractor performance management, by using milestones and benchmarks to build up robust evidence on performance shortfalls; and
- put in place a strong negotiating team, combining experience of working with the contractor and wider expertise.

c On tackling large-scale IT-enabled change projects in the future

26 Many of the weaknesses in the management of FiReControl are similar to those identified in previous reports on the Department's projects, such as those on New Dimension and Firebuy.⁴ The Department has put in place changes to its management approach and governance since 2009, but it needs to satisfy itself that these address the lessons learnt from FiReControl and embrace the principles set out in the Government's new ICT strategy which are designed to reduce project failure and waste. The Department needs to check the adequacy of the change it has made to ensure the following:

- treat IT projects as business change projects from the outset, working to align the business purpose, the change needed to be delivered and the IT system(s) to enable project benefits to be maximised;
- develop appropriate IT and project management capacity in-house and reduce over-reliance on consultancy;
- understand and resolve cultural as well as technical obstacles;
- ensure end users are fully part of the programme team from the outset;
- ensure that the business case and approval process apply an appropriate level of optimism bias adjustment and challenge;
- ensure that expected costs and benefits and delivery timetables are based upon robust data and an accurate assessment of the project's complexity;
- establish critical path analysis, sequencing and aligning project elements;
- ensure rewards and incentives reflect the balance of financial risks and exposure throughout the life of the project; and
- ensure more transparent control procedures and criteria for evaluating project viability.

⁴ Comptroller and Auditor General, *New Dimension – Enhancing the Fire and Rescue Services' capability to respond to terrorist and other large-scale incidents*, Session 2007-08, HC 1050, National Audit Office, October 2008. *Reducing the cost of procuring Fire and Rescue Service vehicles and specialist equipment*, Session 2010-11, HC 285, National Audit Office, July 2010.