

Audit and Corporate Governance Committee

Date: **Friday, 30th November, 2007**

Time: **10.00 a.m.**

Place: **Brockington, 35 Hafod Road, Hereford.**

Notes: Please note the **time, date** and **venue** of the meeting.

For any further information please contact:

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**County of Herefordshire
District Council**

AGENDA

for the Meeting of the Audit and Corporate Governance Committee

To: Councillor: ACR Chappell (Chairman)
Councillor: GFM Dawe (Vice-Chairman)

Councillors: MJ Fishley, JHR Goodwin, R Mills, RH Smith and AM Toon

In Attendance: Councillor H Bramer, Cabinet Member (Resources), and T Tobin, Audit Commission.

	Pages
1. APOLOGIES FOR ABSENCE	
2. NAMED SUBSTITUTES	
To receive any details of Members nominated to attend the meeting in place of a Member of the Committee.	
3. DECLARATIONS OF INTEREST	
To receive any declarations of interest by Members in respect of items on the Agenda.	
4. MINUTES	
To approve and sign the Minutes of the meeting held on 16 November 2007. <i>(To follow)</i> .	
5. UPDATE ON COMMUNITY NETWORK UPGRADE AND CRITICAL 1 RECOMMENDATIONS IN USE OF CONTRACTORS IN ICT SERVICES	1 - 4
This report responds to the request made by the committee at its meeting on 19 th October for an update on the current position regarding the timetable on review of the Community Network contract and in relation to the four critical recommendations set out in paragraph 11 of the update number two on the Interim Assurance Report 07/08.	
6. UPDATE ON ACTION IN THE SPECIAL REPORT - GOVERNANCE IMPROVEMENT PLAN	5 - 8
The purpose of this report is to complement the update provided by the Director of Resources in the Special Report on the Corporate Governance Improvement Plan.	
7. UPDATED INTERIM ASSURANCE REPORT 2007/08	
To consider a report that provides the Committee with an updated Interim Assurance report for 2007/08. <i>(Report to follow)</i> .	
8. IMPLEMENTATION OF RECOMMENDATIONS ARISING FROM SPECIAL INVESTIGATION	
To receive a follow up report by the Head of Planning Services and the	

Head of Highways and Transportation on information requested by the
Committee. (*Report to follow*).

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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UPDATE ON COMMUNITY NETWORK UPGRADE AND CRITICAL 1 RECOMMENDATIONS IN USE OF CONTRACTORS IN ICT SERVICES

Report By: Director of Corporate and Customer Services

Wards Affected

County-wide

Purpose

This report responds to the request made by the committee at its meeting on 19th October for an update on the current position regarding the timetable on review of the Community Network contract and in relation to the four critical recommendations set out in paragraph 11 of the update number two on the Interim Assurance Report 07/08.

Financial Implications

None arising directly from this report although the actions referred to are designed to ensure that a sound system of financial control is in place.

RECOMMENDATION

THAT the report be noted.

Reasons

To comply with the request by the committee to report on the critical recommendations contained within the Use of Contractors in ICT audit and the Community Network contract review.

Considerations

The four critical recommendations are contained within the Use of Contractors in ICT audit report.

The draft action plan relating to this audit was tested out with internal audit on 25th September prior to submission on 28th September.

In working through the action plan process, it was proposed that a workshop session for Legal, Audit, Procurement and ICT Services would be helpful in clarifying practical guidance on contract procurement and management which could be rolled out across the Council. This would be designed to complement the procurement strategy and

Further information on the subject of this report is available from Jane Jones, Director of Corporate and Customer Services

on tel: (01432) 260037

revised financial standing orders. The workshop is being planned for later in November.

Turning to the four critical recommendations in relation to the use of contractors in ICT, it is important to set these in the context of recommendation number one, which deals with preparation of robust business cases.

Recommendation one: The Director of Corporate and Customer Services should ensure that the management of major ICT projects exhibits robust practices. Including the preparation and approval of a detailed business case that secures value for money and assists in achieving Council objectives. Further, the governance arrangements should be adequate to ensure the effective monitoring and reporting of the project.

Recommendation two: The Director of Corporate and Customer Services should ensure that the Directorate follows the formal tender process as laid down in standing orders for contractors and procurement where the estimated contract is in excess of £50,000. In order to achieve this, a strict appraisal of all business cases must be undertaken.

All major ICT projects are now consolidated under a single programme of work and all current and future projects will be subject to the standard business case benefits cards process, which has been developed in consultation with colleagues from the Resources Directorate.

All business cases with a technology element will be required to go through a two stage Directorate Management Team (DMT) approval process. At the conceptual stage, DMT's will be required to approve work on the business case. Once the business case is complete with quotes and validation of the benefits it again needs to be signed off by the relevant DMT and put through the agreed process for challenge by the IPG. That process is designed to test out consistency with corporate priorities, robustness of business case, assurance that the whole life costs of the project have been taken into account, impact on the infrastructure.

Some IPG members were trained on challenge at the October meeting although not all were present and a further session is taking place on 7th November, to ensure that the right degree of robustness and challenge takes place. In order to ensure that business cases are seen as a corporate requirement and not something driven by ICT alone, The Resources Directorate have taken ownership of the combined business case and benefits card and support is provided by the Client Account Managers in ICT Services.

All ICT related projects and programmes are supported by a robust business case. In addition, a guide to procurement will be drafted which will include instructions on the way in which particular scenarios which might arise through the procurement process should be followed. This will include specific reference to software selection and procurement and will be a key output from the workshop described above. This completed document will be presented to Corporate Management Board (CMB) prior to rolling it out to all staff involved in any procurement activity. In addition this will be promoted through the corporate programmes team of project and programme managers will receive training on how to apply the guide by the end of December

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2007. Additional promotion will take place through channels such as news and views and through DMT's.

Tender documentation and templates will be overhauled and written specifically to deal with software/service selection and applied to all projects with an ICT element, again by the end of December 2007. The proposed workshop will also deal with appropriate procurement methods identified through a series of scenarios. The intention is to provide practical support to managers as they move through the process.

Recommendation three: The Director of Corporate and Customer Services should ensure that contracts that have an estimated value in excess of the European limit are subject to appropriate protocols. In order to achieve this, a strict appraisal of all business cases must be undertaken.

Reference has already been made to the process for approving projects. Further work is being undertaken on EU procurement rules and OJEU process, as it relates to Catalist and other framework arrangements. This will be fully documented by December 2007. A review of the directorate register of contracts for ICT Services is nearing completion. The process is being rolled out to all other contracts in the directorate and a monthly review of the contract register will be included as part of the standing item on performance at the relevant meeting of the DMT.

Recommendation eight: The Director of Corporate and Customer Services should implement a protocol to monitor the budget and actual for major projects in line with Council Regulations and Policies.

All projects that originate in ICT, are managed by Corporate Programmes and are now included within the ICT Strategy. All such projects are subject to the same protocols. Project managers submit weekly reports to the support office and then to the relevant project boards convened by project sponsors. A major project report, setting out progress, risks and issues is considered every month by the IPG to allow for follow up with individual project sponsors. The Corporate Programmes Manager reviews this on a monthly basis with the Director and it is included as part of the Directorate's performance report. Again all projects are subject to the discipline outlined at the beginning of this report.

Review of Community Network Contract

The Director has been assisted by the Strategic Procurement and Efficiency Review Manager and Legal Services in addition to ICT Staff to commission an independent value for money review of the Community Network contract. Following advice and support from the Strategic Procurement and Efficiency Review Manager and using the Council's approved processes, the Society of Information Technology Managers (SOCITM), which provides independent, professional support to public sector ICT organisations has been selected to undertake the review in conjunction with the Council. Its main delivery partner, Siemens Communications, have been fully supportive of the process and undertaken to provide every assistance necessary.

SOCITM have been on site since the beginning of the week commencing 5th November and are scheduled to complete their work by the end of November. It will be possible to update the committee at its meeting on progress to date.

Risk Management

That if the actions are not carried through the authority is exposed to risk. The action plan is reviewed on a monthly basis by the Interim Head of ICT and the Director.

Background Papers

Further information on the subject of this report is available from Jane Jones, Director of Corporate and Customer Services
on tel: (01432) 260037

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UPDATE ON ACTION IN THE SPECIAL REPORT GOVERNANCE IMPROVEMENT PLAN

Report By: Director of Corporate and Customer Services

Wards Affected

County-wide

Purpose

The purpose of this report is to complement the update provided by the Director of Resources in the Special Report on the Corporate Governance Improvement Plan.

Financial Implications

As set out in the body of the report.

RECOMMENDATION

THAT the actions taken be noted.

Reasons

The Committee has requested an update on the actions required of the Director of Corporate and Customer Services.

Considerations

1. Recommendation three: **Work to establish the cost of existing ICT and Customer Services operations and future investment needs to be urgently concluded to inform the Performance Improvement Cycle.**
2. In the period since April a great deal has moved forward assisted by the appointment of the accountant designated to support Corporate and Customer Services Directorate. A zero base budgeting exercise has been undertaken with colleagues from the Resources Directorate and budgets are now aligned with services streams:
 - Customer Services
 - Corporate Programmes
 - ICT
 - Information Services (the Archives and Modern Records Services has always had a self contained base budget)
3. The budget position has been tackled in line with the establishment which has been thoroughly challenged and the budget has been brought to the point

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where the ICT, Corporate Programme and Corporate ICT Project budget will balance at the end of March 2008. This re-working of the budgets will also allow the purchase of much needed LANDesk software upgrade to be implemented, following a formal tendering exercise.

4. Funding for the basic ICT Service is largely derived from annual SLA's with directorates. In simple terms this is based on the number of desktops supported on the network with some chargeable elements, for example, Geographical Information Services (GIS) licences. This position has changed very little since ICT Services was relocated from the former Direct Services Organisation (DSO). A recent audit of desktops revealed that there are approximately 240 more than in 05/06. Directorates are being asked to validate these numbers. (No charge is currently made for portable devices). If charges were applied at the same rate it would generate in excess of £300,000, but that would have little impact except to push the burden onto other financially stretched directorates. However there is now a realistic basis from which to plan the ICT budget for 08/09 in compliance with the results of the corporate SLA pilot.
5. The Corporate ICT strategy which was approved by Cabinet on 7th June 2007, was drafted to reflect the requirements of any future accommodation strategy, Herefordshire Connects and closer working with the PCT.
6. It contains a number of projects and programmes which will need to be implemented over the next three to five years. The top ten projects have been prioritised. Some are already funded, for example, LANDesk and VRF Lite which allows schools to meet the requirements for remote access working required by the DCSF. Others are being considered as part of the medium term financial strategy re-fresh and capital proposals. For each of these ten critical projects, full business and benefits card has been produced. These could be subject to changes depending on directorate requirements.
7. The original Info budget has been supplemented for financial years 07/08 and 08/09 by a further £500,000 in each year in order to allow for the adequate transfer of service and complementary release of resource from contributing services. The Customer Service budget is currently predicted to overspend by approximately £100,000, but this is subject to further challenge at a workshop scheduled for 9th November which will also review staffing levels, productivity and phase two services.
8. The Corporate Programmes Service is currently funded through chargeable activity. It is dealt with at recommendation five.
9. Recommendation Four: **Permanent managerial arrangements for ICT and Customer Services need to be established.**
10. In April 2007 a Head of Service was relocated to Thorn Office Centre to take over temporary management of the division. Since that time both he and the Director have spent a considerable amount of time working with the teams that make up the division. In May the reporting line for Corporate Programmes and support team was moved to align it more closely with the

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Herefordshire Connects team and the majority of those staff are now co-located in Plough Lane reporting to the Director.

11. On October 12th the Director and two members of ICT staff, spent the day with the Head of ICT Services and the Performance Manager of Shropshire County Council to discuss structures, performance matters, budgets etc. The Director has circulated a paper setting out proposed future management arrangements to CMB for comment and discussed these in principle with the Interim Head of Human Resources so that the formal protocol with the PCT can be observed. They have also been forward to the new Chief Executive. They have not yet been discussed with staff within the division though this is planned for November 12th.
12. Recommendation Five: **Review approach to and arrangements for the delivery of project management services. All post implementations reviews must include a technical and financial appraisal.**
13. A separate principles paper setting out the approach to restructure and shape of the service is being circulated to CMB. A great deal of work has been done prior to the drafting of this paper in terms of staff workshops, consultation with heads of service, a visit to Waltham Forest to look at their centre of competence for project and programme management. The principle has been to establish a small core team who can provide project and programme support. At the current time this is based on the same changing model being applied and further work is ongoing to refine this model. For all ICT based projects which are approved, project management costs will be included.
14. Recommendation Eleven: **Improving financial governance in ICT and Customer Services.**
15. Action plans for FMS systems in ICT, travel and expenses and use of contractor audit review has been submitted, are reviewed on a fortnightly basis and are on track to be delivered by January 2008. Details on the Use of Contractors in ICT action plan are contained in a separate report elsewhere in this agenda.

Risk Management

Audits of the action plan have been requested at intervals of three, six and twelve months and annually thereafter. If these actions are not delivered the authority is exposed to risk. The Interim Head of ICT Services and Head of Financial Services are meeting fortnightly to review budget actions.

Background Papers

None identified.

