

MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Thursday, 31st January, 2008 at 10.00 a.m.

Present: Councillor PJ Edwards (Chairman)
Councillor WLS Bowen (Vice Chairman)

Councillors: WU Attfield, SPA Daniels, TM James, RI Matthews,
SJ Robertson, RH Smith and JK Swinburne

In attendance: Councillors H Bramer (Cabinet member - Resources), JP French (Cabinet Member - Corporate and Customer Services and Human Resources), JA Hyde (Cabinet Member - Children's Services) , MD Lloyd-Hayes and JD Woodward

57. APOLOGIES FOR ABSENCE

Apologies were received from Councillors PA Andrews and KG Grumbley.

58. DECLARATIONS OF INTEREST

There were no declarations of interest.

59. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY

There were no suggestions from Members of the Public.

60. CALL-IN OF CABINET DECISION ON HEREFORDSHIRE CONNECTS AND CONSIDERATION OF A CONSOLIDATED REPORT ON THE HEREFORDSHIRE CONNECTS PROGRAMME

The Committee considered Cabinet's decision of 13th December, 2007 on the acquisition of the preferred technology to replace the current client systems used within both Adult Social Care and the Children and Young People's Directorate together with a consolidated report on the Herefordshire Connects programme. The decision had been called in by three Members of the Committee: Councillors PJ Edwards, TM James and RH Smith.

The reasons for the call-in were set out in the report. The report to Cabinet on 13th December was appended together with the Decision Notice. The Minutes of the Cabinet meeting on 13th December had been circulated separately. Also appended was a consolidated report on the Herefordshire Connects programme and a document titled: Social Care Solution Selection – Strategic Monitoring Committee – Management Summary. A section of this second report contained responses to the reasons for the call-in set out in the call-in notice. A supporting information pack had also been circulated separately.

The Chairman welcomed the submission of a consolidated report on the Connects programme, whilst expressing disappointment that it had been some months since the Committee had originally requested such a report. He considered the consolidated report would be of benefit to the Councillors, officers and the public.

He explained that in scrutinising Cabinet's decision of 13th December the Committee intended to focus on five main themes, building on the reasons for the call-in set out in the call-in notice: how Cabinet's decision related to the overall Connects programme; the procurement process for the social care solution; the costs of the social care solution and the Connects programme; the quality of reports; and the Cabinet process.

The Herefordshire Connects Programme Manager presented the consolidated report on the Connects programme.

He reminded Members of the reasoning behind the development of the original concept, which was one of business change not simply an information technology programme. He outlined the development of phase 1 of the project and the business case for the programme; and the development of three high level business cases for corporate performance management; integrated customer services and integrated support services. He noted that it had been recognised from the outset that the cost and benefit profiles of the programme might change as the programme progressed. This was typical of strategic long-term programmes of this nature and business cases had to be regularly revisited to ensure that they remained sound.

Phase 2 had been the selection of the strategic partner which would enable the Council to implement the transformation programme. He explained the reasoning behind the procurement route chosen for the selection of the partner and the rigour of the selection process, as described in the report.

Phase 3 had focused on defining the programme and had included the review of the original three high level business cases, as had always been the intention, together with a review of the estimated costs and benefits including cashable and non-cashable benefits. The current estimate was that there would be an ongoing, but not cumulative, annual saving of £7.994 million from 2010/2011 onwards.

He concluded by noting that there had been a strategic pause in the Programme and the Corporate Management Board was reviewing the way forward.

The Project Manager (Corporate Programmes) explained that in presenting the report on the Social Care Solution he intended amongst other things to draw on comments from those in the relevant services.

Members of the Committee indicated that the service need for a replacement system was broadly accepted and, having regard to the evidence set out in the papers before them, they did not therefore require additional detailed justification on this point.

The Project Manager (Corporate Programmes) presented the report on this basis. He outlined the process for selecting the social care solution, noting the involvement of the internal audit service in validating the process. Corelogic had clearly been the preferred supplier.

He also commented on the importance of change management to the implementation of the social care solution. Deloitte had recommended the appointment of a full time Change Management Consultant who would also need to draw on additional expertise. He noted that it was instead proposed to deliver much of this work from resources within directorates, drawing on support from Deloitte on a time and materials basis. Deloitte's role in the actual implementation of the solution was on a fixed price basis.

He concluded by saying that further analysis of the network capacity had indicated that there was sufficient network capacity to operate the social care solution from Bath Street.

From the adult social care perspective the Director of Adult and Community Services said that whilst the Council's adult social care performance had improved to a one star rating, under the Commission for Social Care Inspectorate's (CSCI) assessment framework, it was still relatively weak. Failure to replace the current information and communication technology case management systems for social care would damage CSCI's confidence in the Council's ability to improve. CSCI's Business Relationship Manager had recently sought assurance that the proposed replacement was proceeding. Failure to proceed carried a risk to the reputation of the Council and its overall performance assessment by the Audit Commission.

He added that Worcestershire County Council had recently successfully replaced their system, which had been the same as that still operated by Herefordshire Council, with the solution Cabinet had agreed to acquire. He considered the replacement system, which would enable him to monitor performance on a daily basis, something he could not do with the present system, to be essential from a managerial standpoint. He had every confidence that the proposed system from Corelogic would meet the Service's requirements. Staff across the Directorate had been involved in its selection.

From the Children's Services perspective, the Head of Safeguarding and Assessment noted the Committee had broadly accepted the case for the need for replacement. On this basis he commented on the importance of developing the Integrated Children's System (ICS) required by the Department for Children, Schools and Families (DCSF). He too was convinced that the Corelogic system was the best and this view was shared by practitioners and other managers who had been fully involved in the selection process. This was in contrast to the concerns he had had about the SAP social care solution that had initially been proposed, based on the experiences of some other local authorities of which he was aware. He knew that colleagues across the Country supported the Corelogic solution.

He added that the DCSF had expected that all relevant authorities would have had the necessary ICT system to deliver the ICS in place by 1 January 2007. There had been continuing discussions with the DCSF and their expectation, having rebuked the Council, was that the system would now be in place by June 2008. Whilst it was now looking extremely difficult to achieve that date it would be detrimental to the Council's reputation and performance assessments if it were not to be close to doing so.

He noted that the technical benefits of the system were described in the report. He drew attention to the competitive market for recruiting social workers, the frustrations current staff felt with the current ICT system and the implications this had for recruitment and retention. It was also very difficult to integrate with partner agencies under the current system. Ultimately, however, the key point was that the replacement system would improve the outcomes for children.

The Committee then asked a series of questions based on the five themes to which the Chairman had referred in his opening remarks. The principal areas of questioning and the responses are summarised below.

How Cabinet's decision related to the overall Connects programme

It was observed that Cabinet on 13th December had clearly been under pressure, for

various reasons, to approve the acquisition of the social care package. However, the package formed part, say one tenth, of the Connects programme. It was asked what progress had been made towards achieving the aim of the programme as a whole.

The Director of Corporate and Customer Services explained that there had been a strategic pause in the programme in the summer of 2007 in response to the Council's projected financial position. It had been decided that those elements of the programme that would realise few cashable benefits should be deferred. It had been agreed that the acquisition of the social care package was one element of the programme that needed to proceed. The programme now needed to be reviewed and a report made to Cabinet on a proposed way forward, having regard amongst other things to issues such as partnership working with the Primary Care Trust in particular.

The Cabinet Member (Corporate and Customer Services and Human Resources) (CCSHR) referred to the proposals for implementation of the social care solution. She said that she needed to be convinced that, as was now proposed, the Council itself had the resources to fulfil the change management role necessary to the implementation of the social care solution, although support could be bought from Deloitte if required.

She emphasised that whilst the financial settlement for 2008/09 had looked tighter than had now proved to be the case it had been prudent to pause the programme and reflect on what could be delivered within the Medium Term Financial Management Strategy. She emphasised, however, that the organisation had to act to reduce the wide variety of systems that it currently used and modernise its services.

It was asked what similar packages to the social care package were envisaged and their estimated cost. Following some discussion the Chief Executive said in summary that no decision had been taken because, as previously referred to, the programme was under review. The Council had agreed to implement a core system using SAP software. Whilst it had been agreed that the social care solution offered by SAP itself was not the best and that a different solution was therefore needed for that aspect of service it remained the case that the intention was to modernise other services within the core solution as far as possible.

It was asserted that the decision to adopt SAP as the core solution was flawed. It had proved inappropriate for delivering the social care solution and, it was suggested, was inappropriate for other services as well. In reply the Cabinet Member (CCSHR) said that the consolidated report provided to the Committee demonstrated that the selection of SAP as the core system had been soundly based. However, one of the overriding principles in taking the Connects programme forward was that unproven technology would not be adopted. The SAP social care solution was unproven and had therefore not been adopted.

The Chief Executive added that, whilst the presumption was that services would be delivered through the core system, there was a need for some flexibility if it was clear that a particular application better met a specific service need.

The interrelationship of the Connects programme and the accommodation strategy was discussed. The Cabinet Member (CCSHR) commented on the scope the programme afforded for developing flexible working which in turn reduced the need for accommodation. The Director of Resources said that the Accommodation Strategy Group was focusing on where accommodation could be sited. What type

and level of accommodation was provided depended on organisational development considerations. ICT requirements formed part of the discussions about future accommodation provision and was also being taken into account as interim accommodation moves were made. It was clear that standardisation of ICT equipment would make it easier to relocate staff as necessary. The Connects programme did provide scope for a limited flexible working pilot. The aim in developing the financial strategy was to retain as much flexibility as possible as plans evolved.

The possible loss of specific grant money of £43,000 in support of developing the Integrated Children's Services system was raised. The Director of Children's Services confirmed that if the money was not spent on the ICS by the end of the 2007/08 tax year the grant would be lost.

In response to a question about the other effects of delay in developing the system the Director of Children's Services said that whilst the last Annual Performance Assessment by CSCI had recorded an improvement in performance the delay did leave the Council vulnerable to criticism.

THE PROCUREMENT PROCESS FOR THE SOCIAL CARE SOLUTION

A series of questions were asked about the procurement process, including, on what basis the three initial potential contractors were identified for consideration by Deloitte; whether there had been any quality assurance as to whether there were any links between Deloitte and the supplier; whether there had been any in-house validation and was it really the case that there were no other potential tenderers? In addition, given that there had been only one compliant tender received it was asked who had drafted the specification and whether it had been checked whether the way in which the specification had been drafted had led to this situation. It was asked whether Deloitte or the Council had conducted the technical appraisal of the tenders, what criteria had been used to judge two of the tenders invalid, who had made that judgment and why had the process not been aborted when there was only one valid tender? It was also asked on what basis had Deloitte then selected OLM, again had there been no other potential tenderers? Why had OLM not been included in the initial discussions? Who had conducted the technical appraisal of OLM? In addition had there been any value for money assessment or assurance and if so had this been assessed by Deloitte or in-house?

In reply the Herefordshire Connects Programme Manager said that Deloitte had recommended the three initial potential contractors. There were very few firms, about 5, that could potentially have fulfilled the Council's requirements for a system that would serve both Adult Social Care and Children's Services. The selection and appraisal of the potential contractors and then OLM as well had been carried out by Council staff with involvement also from the Primary Care Trust. The technical appraisal had been carried out by ICT staff. Value for money had been considered and had been one of the reasons for investigating an alternative to the SAP social care solution.

Mr D Harker, on behalf of Deloitte, commented on phase one of the Connects programme. Following Deloitte's appointment the firm had raised the need to look at the technology underpinning the programme. Deloitte had proposed SAP as the technology for the social care solution and believed it would become the market leader in a few years time. However, that particular product was in the early stages of development and Deloitte had supported a review of the proposal. There were very few software packages on the DCFS accredited list. Having discounted SAP there had been five packages to consider, three of which had been shortlisted. Two: Anite and OLM had been rejected because they were based on old technology. Whilst a single solution for both adult social care and Children's Services had been specified the possibility of a hybrid solution had been considered as part of the process. Following failure of two suppliers to fulfil the functional requirements OLM

had then been invited to make a submission. The only supplier with whom Deloitte had a relationship was with Anite, as its auditors, and that supplier had not been shortlisted. He added that no Council officer had suggested an alternative solution to those that had been put forward.

Members suggested that it would have been helpful for this information to have been explained in the report to Cabinet.

The Cabinet Member (CCSHR) acknowledged that the quality of documentation supplied to Cabinet needed to be improved and she had made this known.

However, there came a point at which the Executive needed to take a decision and could not simply keep referring reports back. Cabinet Members did have briefings and private discussions and had satisfied themselves on a range of issues relating to the social care solution. She acknowledged that not all the assurances received had been reflected in the final Cabinet report.

In response it was suggested that this was not acceptable and the basis on which Cabinet made its decisions should be fully and transparently set out. It was added that the time taken to prepare the reports for the Committee in response to the call-in indicated that the relevant information had not been readily available as it should have been.

A further question was asked about the Council's policy when only one valid tender was received. The Director of Resources said that normally the expectation would be that there would be three good quality tenders to choose from. However, it was possible in some case where there was a specialist product with few suppliers that there may be only one valid tender to consider.

The Head of Legal and Democratic Services added that if only one valid tender was received it had to be considered on its merits. The Council had to consider whether the tender met the specification for the work required and represented value for money. Regard also had to be had to the number of potential suppliers in respect of any given tender. If the Council was unhappy with the sole tender it would have to consider retendering the project. In doing so it would have to balance out whether there were likely to be a number of companies able to tender. Ideally three tenders should be considered but on occasion that was not possible due to the specialist nature of the work required and there perhaps only being a single supplier.

A question was asked about data security and data transfer arrangements and compatibility with systems operated by the Council's partners. In reply the work that had been undertaken on data security and transfer was described and an assurance given that processes would be put in place with all partners. It was added that the Primary Care Trust had been fully involved in discussing these issues.

Assurance was also given about the security of data and flexible working. It was stated that any connection with the NHS database itself was governed by very rigorous security standards.

(The Committee adjourned at this point between 11.45 and 11.50 am)

The Costs of the Connects Programme and the Social Care Solution

It was asked whether the revised costings for the programme, in particular the estimated savings were robust, noting that they showed a significant reduction from the initial estimates. Experience of other Council projects had shown that savings did not always materialise as expected and, although significantly reduced, the projected savings remained substantial. It was noted that the report projected annual ongoing, not cumulative, savings of £7.994 million from 2010/2011 onward and it was questioned how these would be achieved.

The Herefordshire Connects Programme Manager said that he believed the original estimated savings were achievable and that by aiming high the higher the likely return would be. However, revisiting the business case and taking a more conservative view based on bankable savings produced the estimates now reported. Mr Harker added that it was right to revisit the business case at every stage. He

considered that the current figures were robust although he too thought there could be the potential to achieve significantly higher savings. In the longer term the savings would be achieved from a reduction in staff, from the improvements in back office processes, improved procurement and the links developed with the Primary Care Trust. He considered that the Resources Directorate had a clear idea of where savings would come from.

In reply to a question about his experience of similar projects in other authorities he said that he had been involved with 8 or so other authorities and they had achieved savings to varying degrees. Change management was an important element of the process.

Asked about the current financial forecast for the programme the Head of Financial Services said that no benefits would be accrued as initially expected in 2007/08. With the strategic pause in the programme the budget for 2008/09 now assumed some £0.75 million in efficiency savings.

Further concern was expressed about the projected level of savings and, it was suggested, a lack of evidence as to how these would be achieved.

The Cabinet Member (CCSHS) said that it had been made clear that identified savings would be removed from the relevant budgets and the Council asked to decide what to do with them.

Clarification was sought on the relationship between the three sets of figures set out on pages 13, 55 and 79 of the agenda papers. The Head of Financial Services explained that page 79 of the report set out the current estimated cost of the social care package; page 13 summarised the assumptions made with the Medium Term Financial Strategy for that package and page 55 related to the Connects programme as a whole.

The social care system was to be placed on a server at Plough Lane. The report to Cabinet on the social care system had stated that investigations were necessary to show that the ICT network could support the link between Plough Lane and Bath Street where staff using the system currently worked. The supplementary report to the Committee stated that tests had now shown that there was sufficient capacity at Bath Street to accommodate the social care solution. Clarification was sought on the position and the statement, as recorded in the Minutes of Cabinet, that to upgrade the Bath Street premises could cost £130,000-150,000. It was stated that this was another point on which Cabinet should have sought and received clarification before making its decision.

In response the Cabinet Member (CCSHR) said that the Cabinet had had to make progress and deliver a solution. Staff could have been relocated from Bath Street had network capacity proved to be an issue.

The Project Manager (Public Service Trust and Corporate ICT Strategy) confirmed that tests conducted since the Cabinet report had been prepared had confirmed that there was sufficient capacity at Bath Street to support the system. Costs would have been incurred had there been a need to connect to the community network, and would be incurred in future if that became necessary.

Asked about data centre capacity he clarified the reference to virtualising servers in the Cabinet report. He explained that virtualising servers was a process which made the most effective use of the existing equipment, reducing the size and cost of data centres. There were costs associated with virtualising servers. These had not been separated out in respect of the social care solution because the intention was to virtualise as many servers as possible across the Council and a capital bid had been made for this work as a whole.

The Head of Financial Services confirmed that account had been taken of this potential cost in the Council's overall budget.

Asked about the fees payable to Deloitte the Head of Financial Services said that

these were incorporated into the overall cost. Members suggested that this was another matter that should have been made explicit to Cabinet. It was noted that Deloitte had been appointed on the basis of a fixed price tender except in respect of change management work which was on a time and materials basis.

Quality of Reports

The Chairman emphasised that the debate had made clear the dissatisfaction with the deficiencies in the report to Cabinet on 13th December, some of which were specifically referred to in the reasons for calling in Cabinet's decision. It was essential that future Cabinet reports contained clear, complete information. A number of points were highlighted recognising that whilst some of these errors and omissions might be minor, collectively they detracted from the authority of the report. The Chief Executive said that this criticism was acknowledged and it was important that Members had the information they needed to fulfil their role.

The Cabinet Process

The Chairman stated that the dissatisfaction with the quality of the report to Cabinet undermined the Cabinet process. It was important that all Members could discern from reports to Cabinet the basis on which decisions were being taken. The Cabinet Member (CCSHR) thanked Members and officers for what she considered to have been a valuable exercise, not least in generating the production of the consolidated report on the Herefordshire Connects project. The Chairman thanked everyone for their contributions emphasising that the intention had been to highlight widespread concerns and seek constructive solutions to them.

(The meeting adjourned again between 12.45 pm and 12.52 pm.)

On reconvening the Committee's conclusions were read to the meeting.

RESOLVED TO RECOMMEND TO CABINET

- a) **That Cabinet should require a revised submission on the proposed replacement of the relevant client systems in the Adult Social Care and the Children and Young Peoples' Directorates setting out clearly and quantifying all costs (including fees) whether forecast or potential.**
- b) **That the revised submission referred to above be extended to demonstrate clearly respective responsibilities for: the identification of potential tenderers, the technical appraisal of tenders and judgment as to compliance of the tenders.**
- c) **The above submission further explains and justifies the decision not to abort the tender process and explains the basis for selection of OLM as a further individual tenderer and the exclusion of OLM from the first tender list.**
- d) **Assurances regarding data security and transfer arrangements and compatibility with current systems (if retention is considered) should be included in the revised submission to Cabinet.**
- e) **Neither the totality of this decision nor its place within the context of the Herefordshire Connects project was clear. To ensure proper, informed decision making, reports of this nature submitted to Cabinet in future should state clearly the dimensions of what is presented for approval and its place within the context of the overall project.**
- f) **Future reports to Cabinet requesting authorisation to proceed with a**

particular course of action such as an acquisition should state this explicitly in the title and should not merely be described as an update.

- g) That the Head of Legal and Democratic Services be requested to revise the format of the Decision Notice template to clarify the meaning of the entry in the template headed “urgent decision”, to make clear that this is a technical term having regard to the relevant Regulations and does not necessarily relate to the importance and urgency of a matter under consideration in practical terms.

- h) The inclusion of a second option in the Cabinet report did not approach the minimum standard of acceptable information. If alternative options are presented in Cabinet reports fully argued consideration is necessary; and

- i) Reports to Cabinet and all Committees should be expressed in clear, comprehensible English without jargon or unexplained abbreviations. Any statistical or financial information must be clear and arithmetically correct.

The meeting ended at 1.02 p.m.
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CHAIRMAN