

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

To provide an update on progress made in the review of the community network contract, the four critical recommendations arising from the use of contractors audit report. The report also takes account of the recently received Crookall report.

Financial Implications

The Integrated Performance Report for the end of September set out the current position in relation to the Community Network Contract. In the 05/06 budget and as part of the then County Treasurer's report which was considered at the same time as the Community Network Contract (24th March 2005) provision was made for increasing the base revenue budget for ICT Services, the first call on which would be to support capital borrowing for the community network in future years.

Payment continues to be made in support of the capital. In June of this year a technical accountancy issue was raised by the Audit Commission as part of the final accounts audit which identified that the ongoing costs of the contract should be classified as revenue costs. This was because the costs that had been coded to capital budgets were for maintenance and are therefore a revenue cost. This is not covered in the current budget and there is an annual revenue cost of £1.6 million of which £500,000 is covered by the Standards Fund within Children and Young People Services. The remainder is unfunded. This resulted in part from the significant level of change the council has made in the course of the contract which increased costs and in part by the lack of ability to drive out the cost of the existing network as migration takes place to the new network. These costs currently sit within directorates' budgets and as they are no longer required, will need to be taken out to support the new corporate provision. That work is ongoing and the support of the Audit and Corporate Governance Committee in ensuring that transfer is effected would be welcomed.

It is clear that some of the assumptions around savings in the old network to offset the cost have yet to be realised because of delays in decommissioning some buildings and connecting to the network. The cost of the Community Network Upgrade is built into the Medium Term Financial Management Strategy from 2008/09

onwards. A sum of £600,000 capital was reported in the end of September capital report and was returned to the corporate pot.

RECOMMENDATION

THAT subject to any further comments by the committee, the report is noted.

Reasons

To inform and advise the committee of actions being taken to improve financial governance within the ICT Service.

Considerations

1. Use of Contractors in ICT
The four critical recommendations are contained within the Use of Contractors in ICT audit report.
2. The advice of internal audit was sought on the draft action plan relating to this audit prior to submission on 28th September.
3. In developing the action plan, 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 revised financial standing orders. The workshop is being held on 17th December. This is later than originally planned, primarily because of pressure on diary dates within the supporting directorates.
4. Turning to the four critical recommendations in relation to the use of contractors in ICT, it is important to emphasise in particular recommendation one. The process for preparing and considering robust business cases is the foundation on which the remaining recommendations, important although they are in their own right, must be built.
5. 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.**
6. 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.**
7. All major ICT projects are now consolidated within 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. This sets out the level of benefits to be realised, whether this is cashable or non cashable, and the timeframe for realisation.

8. All business cases with an ICT element will be required to go through a two stage Directorate Management Team (DMT) approval process. At the initial stage, DMTs will be required to approve development of the business case. Once the business case is in its advanced stage i.e. that costings are as firm as possible pre contract, the benefits are validated, and the risks assessed, then it will again need to be signed off by the relevant DMT, assessed by Herefordshire Connects, and put through a challenge process conducted by the Information Policy Group (IPG) . That process is designed to test out alignment with corporate priorities, interdependency with Herefordshire Connects, robustness of business case, assurance that the whole life costs of the project have been taken into account, and impact on technology infrastructure and business continuity considerations are addressed.
9. The Information Policy Group has been in existence in its current format since January 2007, with membership drawn from managers across the Council. It works to a set of terms of reference agreed by the Corporate Management Board (CMB) and is currently chaired by the Director of Corporate and Customer Services, although this was not envisaged as a long term position and indeed the Crookall report makes recommendations in relation to this.
10. The role of IPG in relation to this area is to approve business cases. In order to ensure that the right skills are in place within the Information Policy Group and the expectations placed on the members of IPG are understood i.e. this is a corporate and not an ICT or service specific responsibility, members have been trained on consideration of business cases at recent meetings. In order to ensure that business cases are seen as a corporate requirement and not something driven by ICT alone, the Resources Directorate has taken ownership of the combined business case and benefits card and support is provided by the Client Account Managers in ICT Services. These officers work with directorates to advise on and support their requests relating to ICT matters.
11. All ICT related projects and programmes must be supported by a robust business case. In addition, a guide to procurement is being drafted, with support from the Council's Strategic Procurement and Efficiency Review Manager, which will include instructions on the way in which particular scenarios which might arise through the procurement process should be followed. It is important that this guide is seen as supplementary guidance to the overall procurement requirements of the council. It will seek to alert staff to the particular demands of ICT procurement. It will pick up some of the observations of the Crookall review about the need to ensure that policies and procedures are accessible, easily understood and translated into practice.
12. The guide will include specific reference to software selection and procurement and will be a key output from the workshop described above. The guide 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 who will receive training on how to apply the guide by the end of December 2007. Additional promotion, with support from the communications unit, will take place through channels such as news and views and through DMTs.

13. Tender documentation and templates will be overhauled and amended to deal with any specific requirements of software/service selection and applied to all projects with an ICT element, again by the end of December 2007. The 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. This work is being undertaken with the support of the Strategic Procurement and Efficiency Review Manager.
14. 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.**
15. Reference has already been made to the process for approving projects. The Strategic and Efficiency Review Manager, in liaison with Legal Services, is reviewing EU procurement rules and OJEU process, as they relate to Catalist and other framework arrangements, and will be incorporated into the revised Financial and Contracting Regulations within the constitution. A review of the directorate register of contracts for ICT Services has been completed. 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 Directorate Management Team.
16. 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.**
17. The Corporate Programmes Team provides support for projects and programmes within the council. The team includes a number of Prince2 qualified project managers and a quality assurance officer who work with the lead officer or project executive to ensure projects are being delivered to the project plan or project initiation document (PID). Since June the Corporate Programmes Team has reported to the Director to support its establishment as a corporate resource. It allocates project managers to a number of projects and programmes throughout the council including the Crematorium, Cattle Market, Herefordshire Connects.
18. In addition to the individual leads for projects receiving weekly reports a monthly project report setting out progress, risks and issues is considered by the Information Policy Group to allow for follow up with individual project

leads. In addition the Director of Corporate and Customer Services and the Corporate Programmes Manager review this on a monthly basis.

19. Review of Community Network Contract
At the meeting of the committee on 21st September it was reported that the review of the Community Network Upgrade contract had been initiated. Within the terms of the contract there is provision for such a review and the Director of Corporate and Customer Services had commenced discussions with the contractor prior to the publication of the Section 151 Officer's special report in September. That reinforced the need for a value for money study. This was emphasised by the Crookall review, which recommended that a benchmarking exercise should be undertaken in respect of the current provision. Mr Crookall considered that such an exercise would assist in identifying what the Council was paying for and how much it cost compared to others. He went on to further state that the review demonstrated poor performance or excessive cost, that would provide a platform for further negotiation. Although part of a separate recommendation in the Crookall report, it is logical to bring both reviews together because they represent different aspects of the same issue.
20. 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 was selected to undertake the review. The Council's main delivery partner, Siemens Communications, have been fully supportive of the process and undertaken to provide every assistance necessary.
21. SOCITM have been on site since the beginning of the week commencing 5th November. Although SOCITM were scheduled to complete their work by the end of November, the specific benchmarking information to allow direct comparison of costs was not available in the timeframe and the report is now due to be received on 17th December. An oral update will be provided to the Committee.

Risk Management

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 Information, Technology and Customer Services and the Director and report by exception to the Cabinet Member.

Background Papers

ICT – Use of Contractors Audit Report (ITSV2974)