

Chair:
Councillor Charles Adje

Deputy Chair:
Councillor Harry Lister

INTRODUCTION

- 1.1 This report covers matters considered by the Executive at our meeting on 18 January 2006 which required the invocation of the Special Urgency arrangements set out in Section 12 of Part D2 of the Constitution.
- 1.2 It is a requirement of the Constitution (Section 18(e) of Part I4) that when decisions are taken as a matter of urgency they must be reported to the next available meeting of the Council, together with the reasons for urgency.

ITEMS OF REPORT

Finance

2. ANNUAL AUDIT AND INSPECTION LETTER

- 2.1 The Council will be aware that the Annual Audit and Inspection Letter from the Audit Commission is an important external assessment of the Council's position. The Annual Audit and Inspection Letter was compiled by the Council's external auditor and it summarised the conclusions and significant issues arising out of the audit and inspection work for the Council in the preceding year. It included information from the Direction of Travel statement and from the Comprehensive Performance Assessment (CPA) scorecard.
- 2.2 We considered a report which set out proposals for responding to the issues raised in the Letter. We considered the report urgent because of the need to consider actions required to secure further improvement in the Council's performance.
- 2.3 We noted that the Council had worked positively with District Audit and the Audit Commission during the last year. The good progress made by the Council had been recognised in the improved overall CPA score in December 2005, with the Council moving to up to 3 'stars' (good), and in the positive Direction of Travel statement and the Annual Audit and Inspection Letter. The Direction of Travel Statement judgement stated that the Council was 'improving well' and recognised that there had been 'particular positive outcomes in services for children and young people and for vulnerable adults'.
- 2.4 It also stated that nearly 75% of indicators had been maintained or improved, and similarly that user satisfaction was also improving. The challenge for the Council would be to maintain the higher levels of performance in some services whilst improving other services where performance was less consistent. There was recognition that the Council targeted resources to its priorities and that business planning, financial governance and performance management had improved since 2004. It is also stated that arrangements were in place to strengthen information, communication and technology, procurement and commissioning. A key challenge for the Council was in respect of value for money where it was noted that we had adequate arrangements for managing and improving

value for money and that we needed to demonstrate that high spend was commensurate with the delivery of high quality services.

2.5 In the area of accounts and governance the comments were generally positive and this was reflected in the 3 out of 4 for the Use of Resources CPA score. Specific comments were as follows

- Audit of the 2004/05 accounts: the accounts were approved in advance of the statutory deadline, were well prepared with good supporting working papers and were subject to robust Member review. The Council took action to resolve the accounting treatment in respect of the Alexandra Palace long term debt. The auditor’s opinion remained qualified in 2004/05 (because the 2003/04 comparative figures were not revised), however it meant that the qualification would be removed in 2005/06;
- Financial standing: the Council’s financial position remained sound, it had taken steps in recent years to provide a strong platform for financial management and improvements were being demonstrated in the collection of debt;
- Systems of internal financial control: the Council had a generally sound framework for managing internal financial control and had developed its risk management processes although these were not yet fully embedded, the Technical Refresh project being an example of this; and,
- Standards of financial conduct and the prevention and detection of fraud and corruption, and the legality of transactions; the Council had sound arrangements in these areas.

2.6 The key messages from the Audit and Inspection letter were set out in the table below, together with the Council’s response and proposed actions:

| | Recommendation | Response |
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| | The Council needed to: | |
| 1 | Sustain improvement in better-performing services, whilst developing its focus on those services where progress was less consistent | Business planning and monitoring would continue to focus on maintaining good performance and driving up performance where necessary. In particular there were specific initiatives and investments in housing management, street scene and leisure services. |
| 2 | Demonstrate that high-cost services were delivering value for money, and embed the culture of challenge for value for money Council-wide | The Council would continue its drive for improving value for money. It was a key component of the business planning process and a rolling programme of value for money reviews had been instigated. Work would also continue through the CPA action plan to embed the value for money culture. |
| 3 | Maintain tight budgetary control to deliver financial balance for 2005/06 and the medium to | The Council would continue to monitor closely its financial position and would ensure that the medium term financial strategy had a focus on delivering |

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| | longer term | savings to maintain a balanced budget position. |
| 4 | As a priority, implement the action plan developed in response to our report on the Technical Refresh project | The Council would implement the recommendations (see concurrent report to this meeting). |

2.7 We report that we approved the response and actions to the recommendations contained in the Annual Audit and Inspection Letter as outlined above.

Organisational Development and Performance Management

3. TECH REFRESH PROJECT – REVIEW OF PROJECT MANAGEMENT

3.1 The Council will recall that the Tech Refresh programme commenced in 2003 with a then planned finish of October 2004. However, following a number of problems with the project and significant overspends which had been reported during the last 12 months compared to the original approved budget the District Auditor had been commissioned to undertake a review.

3.2 We considered a report from our officers to which the District Auditor’s review was attached. Consideration of the report on the Tech Refresh project in parallel with that on the Annual Letter was logical given the cross referencing between these two reports and the availability of representatives from the Audit Commission. We considered the report urgent because of the need to obtain Member agreement at the earliest opportunity to enable officers to prepare and implement further work.

3.3 The Review indicated that the original budget was inadequate and therefore the Council was always likely to incur additional costs. However, it was acknowledged that the Council was now taking action to exercise greater control over this project, actions taken having included commissioning the Review in order to learn the lessons both for managing this project to its conclusion, as well as for other significant schemes, tightening project management and enhancing financial information. It was also acknowledged that there was further potential slippage and additional costs over budget to be incurred on the project in 2005/06 and that the Council needed to exercise tight financial control over the remaining life of the project, as well as applying the lessons learned to both this and other schemes.

3.6 The Review recommended that on the basis of its experience with the Tech Refresh project the Council needed to improve its procedures in a number of areas, in particular

- ensure that budgets, in particular the revenue costs associated with large capital projects, were realistic from the outset, and subject to adequate challenge during preparation;
- ensure that project budgets were coherent and that monitoring arrangements were robust at the day-to-day management level, with financial management roles and responsibilities clearly defined and allocated;
- review its procedures for authorising and controlling change requests for all

projects;

- ensure that major revisions to project budget estimates were reported, reflected in formal virements and appropriately authorised. It would be appropriate for the Council to review its delegated authorisation levels to ensure that adequate reporting to Members was undertaken;
- establish the costs expected to be incurred against key deliverables, and monitor these against actual costs;
- provide for the representation of Corporate Finance on the project boards of major schemes;
- consider the use of subject matter experts to challenge the design of future projects and give independent external challenge;
- ensure that a robust project board was established with those nominated being able to commit the time and having the appropriate skills;
- introduce a robust mechanism for quality and project assurance which was independent of the project;
- ensure that project board reports covered project costs against budget for project staff, meetings, expenses, overtime, QA staff, user testing, consultancy, hardware, software, installation, infrastructure, licenses and temporary workers;
- ensure that a clear audit trail existed for decision making within projects; and
- consider whether a programme or project management approach was most appropriate at the outset of significant future projects.

The Council also needed to consider the issues raised in the Review and formulate its own action plan to address the issues both in relation to the Tech Refresh project and other major projects. We noted that the District Audit Service would be undertaking a follow-up review (provisionally late February/early March 2006) to assess the robustness of the Council's remedial action as part of the ongoing audit. The Council would also need to undertake a post-implementation review to identify any further learning opportunities from the completion of the project and to assess the benefits delivered against costs/expectations.

- 3.7 We considered that the Review provided a helpful agenda to significantly improve the Council's performance in this area for the future and in accepting the recommendations we asked that officers produce a detailed action plan for consideration at our February 2006 meeting.

4. IS/IT INFRASTRUCTURE ARRANGEMENTS

- 4.1 At our meeting on 20 December 2005 we considered a report setting out options for IS/IT infrastructure report which was the subject of a resolution to exclude the press and public because it contained exempt information. Arising from our consideration of the report we agreed, inter alia, to in-source the service followed by an overall review of the delivery arrangements for infrastructure report.
- 4.2 We considered a further report, which was again the subject of a resolution to exclude the press and public because it contained exempt information, on this matter because of an offer from the incumbent infrastructure supplier which had to be explored. The report was urgent because consideration of the offer required a Member decision and a delay in

the decision would cause the Council to incur additional cost.

- 4.3 We report that we endorsed our decision of 20 December to proceed with the in-house provision of a range of network and helpdesk services and we instructed that a further report be submitted to our February meeting on the proposed in-sourcing including on the questions of reporting systems to Members, and the implementation of a Service Level Agreement.