Special Overview And Scrutiny Committee
Tuesday 28th February 2006

Overview of the Tech Refresh Project
Questions to Cllr Sulaiman

Introductory comment

Members of the Committee have had the benefit of a presentation of the project. The matters set out in the questions have been the subject of a thorough external review, commissioned by the Council, conducted by the District Auditor. The District Auditor's report was received by the Executive in open meeting on 18 January 2006 and the action plan in response to this reviewed was considered and agreed at the Executive on 21 February 2006.

Given this and in order to assist the deliberations of the Committee, the answers set out in this document cross reference to the District Auditor's review and the other documents in the public domain.

Questions are shown in italic with the answers in standard font.

Questions from Cllr Winskill

Project commissioning and budget process

Why was the project commissioned?

This is set out in the report to the Executive on 10 June 2003 and in the presentation to this Committee.

What were the overall objectives of the project and what did it hope to deliver?

This is set out in the report to the Executive on 10 June 2003 and in the presentation to this Committee.

How was the project budget developed?

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 21 – 23 of his report.

Please submit to this Committee the original budget and the current revised one with a commentary indicating where the changes are and the financial value of those changes.

The amendments to the project budget were reported to the Executive on 14 June 2005. This formed part of the District Auditor's review and the conclusions are set out in paragraphs 24 – 27 of his report. It is also worth noting that the revised budget was reported to Council, as part of a written answer, on 18 July 2005.

In view of the IT industry's notorious reputation for overspend, what precautions were taken to minimise any overspend on this project?

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 37 - 48 of his report.

Who developed the budget: was it done in house, out of house or a combination.

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 21 – 23 of his report.

Please indicate (if appropriate) the consultants used by Haringey to develop the project?

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 21 – 23 of his report.

Are their fees included in the overall cost of the project?

No. It is not normal practice in the Council to include project preparation costs in project budgets.

How many meetings did the (then) Lead Member attend to discuss the progress of the commissioning phase?

The project was agreed by the Executive on 10 June 2003. The project was preluded in a report to the Executive on 18 June 2002 and was considered by the E-government Advisory Committee on 17 April 2003.

Who (in-house) comprised the project team?

The initial project structure is set out above paragraph 15 of the District Auditor's report.

When was the project signed off and the budget agreed?

At the Executive on 10 June 2003.

Project implementation

When did the Tech Refresh project start the implementation phase?

After the meeting of the Executive on 10 June 2003.

Outline the management controls and procedures that were set up to run the project?

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 28-36 of his report.

How well were they adhered to?

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 28-36 of his report.

Please list the members of the Project Management Board and list their attendance at meetings.

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 13 - 15 of his report. It is not normal practice to provide details relating to individual members of staff in open meetings.

Were outside consultants used to simply help run did they fully run the project?

The project structure is set out above paragraph 15 of the District Auditor's report. This shows whether individuals were from the Council or external partners.

Please tell this Committee how many reports to the lead member were received in 2003, 2004 and 2005.

It is not normal practice to comment on the activities of Executive Members in fulfilling their portfolio responsibilities other than where there are formal processes under the constitution. The formal governance of the project was charged in 2003 and 2004 to the E-government Advisory Committee which received reports on 31 July 2003, 13 October 2003, 20 November 2003, 8 July 2004 and 12 October 2004.

It was due to finish in October 2004: please list all the factors that have prevented this from happening.

This formed part of the District Auditor's review and his conclusions are set out through the report.

The Audit Commission refers to change management and variation orders as factors in the cost over runs. Please explain what these are and give the Committee some examples.

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 30 - 36 of his report.

When did it become first apparent that the project was starting to overspend?

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 37 - 48 of his report.

How was this information relayed (and when) to the Lead Member?

The formal reporting to members is set out in the answers above.

Did Haringey's auditors pick up the overspend, if so when?

This question would need to be addressed to the District Auditor. To our knowledge, the District Auditor did not have concerns prior to our request to carry out a review.

What actions were taken by the lead member and/or the Project Management Board to get the project back on course?

This formed part of the District Auditor's review and the conclusions are set out in paragraph 10 of his report.

Who was responsible for appointing a level 2 officer to take financial responsibility for this project, against accepted best practice?

The allocation of staff resources to deliver the Council's objectives is a matter for the Head of Paid Service. The District Auditor's views, set out at paragraph 16 of his report, are clear and were agreed by the Executive on 21 February 2006.

Have there been any staff disciplinary proceedings as a result of the project overspend and over run?

No.

Was the chief executive made aware of the problems with the project? If so when was he made aware?

The Chief Executive was kept briefed through the life of the project through normal management processes, namely monthly budget management, 1:1s and programme management processes and the performance appraisal process. The scale of the potential overspend became clear in April 2005 and the Chief Executive was promptly informed.

Did David Warwick offer any advice, cautions or suggestions about how the Lead member should respond to the looming crisis? If given, what was the advice? When was this advice given? Was the advice acted on?

Whilst it is not normal practice to comment on the activities of Executive Members in fulfilling their portfolio responsibilities other than where there are formal processes under the constitution and despite the fact that I was not the responsible Executive Member at the time, the response from the record is clear from the record. The response was to bring the project in-house and the fact that the project is now substantially complete demonstrates that this was the right thing to do.

Under exactly what circumstances did the previous project manager depart? Did he resign? If so, was there a financial pay-off? If so, what was the cost to the council?

It is not normal practice to provide details relating to individual members of staff in open meetings so further personal information is not being made available.

In view of the scale of the overspend, is the lead Member satisfied that it can be accounted for by management failures or did he ever consider the possibility of fraud? If so, what was done to look at this possibility?

As the Leader made clear in his answer to Council on 6 February 2006 there is no suggestion that this overspend is due to fraud. The Council's normal processes in this regard has applied and, further to this, the project has been comprehensively reviewed by the District Auditor.

The Audit Commission report

When was the decision made to ask the Audit Commission to investigate this project?

July 2005.

How many other Haringey projects (IT and non-IT) been reviewed by the Commission?

The District Auditor determines his work programme on an annual basis. The programme and its product is regularly reported to the Council's Audit Committee.

Who made that decision and on whose advice?

The Leader and Lead Member (ODPM), in discussion with the Interim Chief Executive.

Who (internal and external to Haringey) were interviewed by the Commission?

The District Auditor's methodology is set out in paragraph 6 of his report.

Post Commission report

What controls are now in place to ensure that best practice is now being followed and that these failures cannot happen again?

This is set out in the report to the Executive dated 21 February 2006, in response to the District Auditor's report.

The Audit Commission says (Para 9) the "The Council cannot demonstrate that the full additional £10m costs represent value for money." Does the Lead member believe that to be the case?

The views of the Executive have been comprehensively expressed by the Leader in his oral answer to Council on 6 February. Since this was an oral answer, I will quote:

> "Let me take some time unpicking what the District Auditor has to say about value for money. The Auditor says, and I quote:
>
> > "the Council cannot demonstrate that the full additional [....] costs represent value for money"
>
> Interesting words. Interesting because of some small words. Interesting that by using the word "full" the District Auditor is clearly accepting that at least some of the additional costs represent value for money. Interesting that, in my view, the District Auditor has missed out an important word. Of course we cannot <u>yet</u> demonstrate that

the project has delivered value for money because when the District Auditor did his work the project wasn't finished. Tonight, Mr Mayor, I will make a clear commitment. There will be a full post implementation review. I am charging my Executive Colleague, Councillor Sulaiman, to oversee that review. And the review will carefully consider whether the project has delivered value."

What has been done to ensure clear audit trails?

The audit trails are clear and the Post Implementation Review will use this information.

How much has it cost the council to review its management procedures in the light of the Audit Commission report?

The cost of the review reported to the Executive on 21 February 2006 was, with the exception of the District Auditor's review, primarily based on officer time.

<u>The future</u>

*What is the current **total** cost of the IT Tech refresh project, from its inception to date, including costs absorbed by suppliers?*

The relevant cost is the cost to the Council. This was re-budgeted in May 2005 (and agreed by the Executive on 10 June 2005) to £19.1m.

What is the likely /budgeted final cost likely to be?

This Committee is aware, from my written answer to a question (based on the Finance and Performance report to the 1 November Executive) asked at your meeting of 24 October 2005, that there was a risk of a £0.5m overspend on this year's costs. This risk has largely crystallised so the projected spend this year is £5.5 million.

How will the Lead Member go about measuring whether the project has delivered what it set out to and will; he report this back to this Committee?

A full post implementation review will be carried out. This will be reported to the Executive. The agenda for this Committee in the next municipal year is clearly a matter for the Committee.

Questions from Cllrs Hoban and Davies

Can he please confirm the chronology of events which led up to the council's decision to ask the Audit Commission to undertake an investigation into the Tech Refresh project.

See above.

Who made the decision to commission the investigation and when?

See above.

Could he confirm the exact role/s Deloitte has played in the Tech Refresh project, and does he consider that their role as the council's contracted auditor could be seen to represent a conflict of interest?

The role of Deloittes is clearly set out in the report to the Executive on 10 June 2003. A different part of Deloittes is the Council's internal auditor. The s151 officer satisfied himself at the time of contract award that the appointment did not represent a conflict of interest and it is my understanding that there is no reason to believe that it did or does represent a conflict.

Question from Cllr Dawson

It is my understanding that the IT budget does not exist as a service in its own right but that it relates to the operational performance of each and every Council directorate and business unit, therefore could the Executive Member for Organisational Development and Performance provide information on:

- *IT provision (hardware and software) per Directorate*
- *Number of IT users per Directorate*
- *The assessments that have been carried out on the operational impact of IT provision and use within each Directorate.*

There is a corporate IT budget which has, in the past, been thoroughly scrutinised by this Committee. This budget funds the majority of IT activity across the Council. The budget is recharged across the Council's business units. The raison d'être of the budget is to provide support to the functions and activities of the Council. To do this, we support over 300 applications and nearly 5,000 assets, as set out below. The total number of users is around 5,700.

Applications (software excluding Access databases)

All Directorates (Core Applications):		36
More than 1 Directorate (Key Applications):		75
Used by 1 Directorate only (Non Core), being:		
Environment	35	
Finance	19	
Chief Executive	78	
Social Services	12	
Children's Service	37	
Housing	15	196
Total		**307**

User log-ons and assets

	Assets
Chief Executive	1462
Environmental Services	497
Finance Services	529
Housing Services	710
The Children's Service	504
Social Services	1184
Total	**4886**

IT is clearly pivotal in delivering the Council's services and has been and will continue to be an underpinning factor in delivering improving and improved services. It is worth noting that during the period of the refresh project a wide range of service improvement projects have operated so that, for example,

- we met the Prime Minister's target for putting services on line by 2005;
- we are delivering the vast majority of the priority service outcomes for e-government set by the Deputy Prime Minster;
- we have an award winning website, a nationally praised e-payments project, webcasting and a delivered programme of e-democracy;
- we are leading the field, through our e-care project, in e-enabling social care; and
- we are exploiting for the benefit of the residents of the borough our investment in systems to support back office processes and customer services.

The Council's current IS/IT strategies were agreed in 2003 and it would not be untimely for these to be thoroughly reviewed by the next administration, following the election in May.

Questions from Cllr Brown

Could you please explain what systemic processes are in place to ensure that lead members are kept regularly informed of the state of the budgets within her/portfolio? Could you also explain how senior managers regularly check on budgets with their more junior budget holders and also how managers responsible for monitoring externally allocated contracts regularly check on the status of those budgets?

This formed part of the District Auditor's review and the conclusions are set out in paragraphs 37 - 48 of his report. The Executive's response to the District auditor's report was agreed on 21 February, the key responses to which I set out in my presentation.

Cllr Takki Sulaiman
Executive member for Organisational Development and Performance

28 February 2006