

**Special Overview And Scrutiny Committee**  
**Thursday 9<sup>th</sup> March 2006**

**Overview of the Tech Refresh Project**  
**Questions to Cllr Sulaiman**

**Introductory comment**

Members of the Committee have now received a presentation about the project and at the first part of the meeting last week, an initial opportunity to review the answers to the questions put to me. 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. Given the additional time afforded by the Committee's decision to reconvene, I have attempted to provide a more comprehensive set of answers in one place. However, this was a big and complex project and there are points where a cross reference to another document is necessary.

The background documents to which I have cross referred are:

- Executive report June 2003 – “Technology Refresh”, which gave authority to proceed and has the independent Gartner review appended to it. (Two documents)
- Executive Report 14 June 2005 – “Financial Planning Update”
- Council 18 July 2005 - Answer to written question 16
- District Audit Report January 2006 – “Review of Project management”
- Executive Report February 2006 – “Project and Programme Management – Response to the Audit Commission review”

Questions are shown in italic with the answers in standard font. The extracts from other reports are shown on boxes. I have attached at Appendix 1 to the answers the Action Points from the first part of the meeting to either answer them or cross refer to how they have been addressed in the main report.

## Questions from Cllr Winskill

### Project commissioning and budget process

*1. Why was the project commissioned? 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 last week.

### **Original Objectives**

- Replace a time expired infrastructure, upgrading to new technology for
  - Network
  - End User equipment
  - Servers
  - Operating system and Applications including email
  - Physical Locations
- Establish a physical and technical environment which is less likely to fail and provides effective business continuity in the event of a disaster
- Promote a more flexible infrastructure which allows staff to work in any Council building, allows 'hot desking' and reduces the cost of office moves
- Reduce the on-going cost of managing the infrastructure with key elements, such as desktops, having extra lives
- A modern infrastructure which enables joint working with our partners, compliance with national standards, enables mobile working and supports e-government.

### **Additional objectives**

- Increased security to reduce risk from active and emerging threats
- Improved network connections to over 100 smaller sites
- Increase and systematise the data storage available due to the increase in electronic data stored by the Council resulting from successful implementations of E-Government initiatives
- Absorbed the 25% increase in established usage from 3,800 to over 4,700 assets
- Delivered project development in parallel with deployment and build of new infrastructure due to urgent business need. These included:
  - Siebel 7.7 upgrade
  - Manhattan implementation
  - Modern.Gov
  - SAP Supplier Relationship Management which included 1-1 support during the training phase.

- Web casting

**Project scale**

- over 4,700 assets
- over 300 applications
- 45 terabytes of data storage
- 74 sites on WAN or LAN and 140 on broadband
- two data centres with over 300 servers
- all in the context of:
  - nearly 2000 business as usual change requests over the deployment period
  - extensive office move programme

*2. 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:

Para 21	The original project for the budget was reported to the Council’s Executive in June 2003, with capital costs of £5.3 million and ‘upfront project costs’ of £3.7 million, funded from a mixture of capital and revenue sources.
Para 22	There is no evidence that the Project Initiation Document (PID), on which the budget was based, was prepared with appropriate input from Corporate Finance. In addition, reliance appears to have been placed on the review carried out by external consultants, referred to above, as an independent validation of the original budget. However, there is no documentary evidence that the review commented on the robustness of the Council’s costing of the project, nor indeed had such assurance been commissioned in the terms of reference for the review.
Para 23	It would appear, therefore, that the initial budget for the project was not subject to adequate challenge. The finance comments in the June 2003 report to the Executive did not provide a view as to whether the costings were soundly based, but noted that savings of £1 million per annum had been assumed in financial plans.

The criticisms set out above have been addressed in the Executive’s action plan of 21 February, in response to recommendations 1 and 2 (which

introduce tighter controls over budget setting) and recommendation 7 (which sets out the approach to external challenge and validation of project proposals).

*3. 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:

Para 24	Once under way, the project suffered from major cost overruns. As reported in the Executive Member Briefing of 10 May 2005 by the ACE, by August 2004 the overall project budget had increased from £9 million to £12.7 million, and the overall estimate stood at £24.6 million by April 2005. The external partners absorbed some £5.5 million, resulting in a revised estimate of £19.1 million, still more than twice the original budget.
Para 25	According to the ACE briefing, the increased expenditure primarily occurred in the 'people costs' of the project, specifically: <ul style="list-style-type: none"> <li>• the decision to engage external consultants as providers of change management resource given the inability of Council officers to provide the inputs assumed in the PID;</li> <li>• additional complexities identified during detailed planning, leading to further expenditure on design; and</li> <li>• original and material poor scoping of the work.</li> </ul>
Para 26	Our audit has identified additional people costs incurred through change management and change requests as the two areas resulting in significant additional costs to the project. It is clear that the original budget was based on incorrect assumptions as to the cost of the change management requirement, and the overall complexity of the scheme.
Para 27	In November 2005, the Council identified further potential slippage and subsequently additional costs on the tech refresh project. There remain concerns, therefore, that the current budget may not yet be sufficiently robust.

The criticisms set out above have been addressed in the Executive's action plan of 21 February, in response to recommendations 3 and 4 (which cover change control procedures) and recommendation 10 (which covers reporting to project boards).

The full budget trail is set out below.

<b>Summary financial position (as at May 2005)</b>						
<b>£'m</b>	<b>Original budget June 2003</b>	<b>Revised budget Aug. 2004</b>	<b>Estimate April 2005</b>	<b>Current estimate, following remedial action</b>	<b>Variance</b>	<b>Notes on variance</b>
<b>People costs</b>						
Solution architecture	1.5	2.3	3.3	2.8	1.3	1
Change	0	1.2	3	1.7	1.7	2
Delivery	0.9	2	10.9	7.2	6.3	3
	<b>2.4</b>	<b>5.5</b>	<b>17.2</b>	<b>11.7</b>	<b>9.3</b>	
<b>Hardware &amp; software costs</b>						
Hardware	3.7	4.8	5.1	5.1	1.4	
Software	1.6	1.6	1.3	1.3	-0.3	
Data centres	0.7	0.7	0.4	0.4	-0.3	
Other	0.6	0.1	0.6	0.6	0	
	<b>6.6</b>	<b>7.2</b>	<b>7.4</b>	<b>7.4</b>	<b>0.8</b>	4
<b>Total</b>	<b>9.0</b>	<b>12.7</b>	<b>24.6</b>	<b>19.1</b>	<b>10.1</b>	
<b>Funding</b>						
Leasing budgets	2.6	2.6	3.5	3.5		
Infrastructure budgets	0.4	1.1	1.3	1.3		
Leasing of assets	5.3	5.3	5.5	5.5		
Infrastructure reserve	0.0	2.0	2.0	2.0		
Other	0.7	0.7	0.8	0.8		
Shortfall	0.0	1.0	11.5	6.0		5
	<b>9.0</b>	<b>12.7</b>	<b>24.6</b>	<b>19.1</b>		

## **Notes**

### **Explanation of variances**

1 The cost overrun in this area is a function of three factors: extension of time, the provision of programme management between August 2004 and April 2005 and additional complexities (in terms of number of sites and volume of applications) revealed during the detailed planning.

2 Change was originally intended to be a Council function. The cost over run is because this had to be performed by Deloitte's.

3 The cost overrun in this area is a function of three factors: original and material misscoping of the work by Northgate, additional complexities (in terms of the number of sites and volume of applications) revealed during the detailed planning and the expert resource we have had to bring in to deliver on the designs.

4 The cost overrun in this area is primarily due to additional hardware requirements, a function of the number of applications to be run in the Citrix environment.

5 The report to the Executive on 14 June 2005 set out proposals on how this shortfall would be funded for agreement.

**Notes on remedial action**

The remedial action has reduced the anticipated total cost by £5.5 million. Additional costs of £4.1 million to the Council direct offset by, in the case of:

- 5 Deloitte's revenue forgone of £1.5 million and write offs of ££0.3 million.
- 6 Northgate revenue forgone of £5.5 million and write offs of £2.3 million.

It is also worth noting that the revised budget was reported to Council, as part of a written answer, on 18 July 2005, which is attached.

*4. 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:

Para 37	Responsibility for controlling the project budget rested with the ACE, the Head of ICT and the Project Leader. The Project Leader, who has left the Council, had day-to-day control of budgets. From the documents available to us, it is unclear how budgetary control was exercised.
Para 38	Until recently, the Highlight Reports adopted as the primary mechanism for reporting to the Project Board lacked any financial information, with budgets being reported only in terms of days used. That being the case, where budgeted days were reported as overspent, there was no acknowledgement of the financial implications of this within the accompanying notes. By September 2004, the Highlight Reports had ceased to provide even the information on days spent.
Para 39	The project has also suffered from a lack of profiling of costs, to enable the budget to be monitored against key deliverables and stages. There is no evidence of a coherent process for 'sign off' of budgets at pre-determined milestones. As a result, although actual expenditure could appear at times to have been in line with the current estimate, it was not sufficiently clear what had actually been delivered for the spend to date.
Para 40	Highlight Reports now provide summary financial information clearly setting out the actual spend to date against the authorised budget, along with a forecast of the final position. Arrangements have been further strengthened by the inclusion of a representative from Corporate Finance on the Project Board. Had this been the case from the outset, the weaknesses in financial monitoring information in Highlight Reports may have been addressed at an early stage.

Para 41	As noted above, the ACE's May 2005 briefing for Members identified that 'people costs', largely funded from revenue budgets, were the primary area of cost overrun. The Council has well established procedures for monitoring performance on revenue budgets, involving the compilation of monthly reports by business unit managers, which are independently reviewed by Corporate Finance before the production of summary reports for discussion at chief officer level and the bi-monthly Finance and Performance (F&P) Reports to Members.
Para 42	From these reports, it became apparent that the project was experiencing significant difficulties in containing costs within the original budget. However, as these costs were associated with a one-off, major capital project, the discussion of the issues arising appears to have occurred outside of the standard budgetary control procedures, at the level of the Chief Executive's Management Board.
Para 43	The existence of a substantial earmarked reserve, the IT Sinking Fund, provided a contingency which could be drawn upon. Also, at the same time as the extent of the overspend on the project was becoming clear, the Council was recording an underspend on its other revenue budgets against. The overspend of £2.9 million was offset against the IT sinking fund and expected revenue underspends.
Para 44	In addition to the changes to Highlight Reports, greater clarity has now been introduced to budget monitoring at the corporate level. This is reflected in the current forecast of additional spending on revenue costs which, while of itself an indication of continuing issues with the realism of the budget, is also indicative of greater transparency in the financial management of the project.
Para 45	It is essential that, for a project of this scale and strategic importance, financial reporting at the corporate level provides the Council's leadership with clear and concise financial information. The primary sources through which Members could be updated on the financial position of the project were the F&P Reports and reports to the E-Government Advisory Committee (EAC).
Para 46	<p>Review of the financial content of a sample of EAC reports found that:</p> <ul style="list-style-type: none"> <li>• at the early stages, a brief comment that expenditure was being contained; and</li> <li>• at the later stages, when the difficulties were apparent to officers, no mention of the financial position of the project.</li> </ul>

Para 47	The reports prepared in 2005, such as F&P reports and the May ACE briefing, demonstrate confusion over the true picture of costs, with varying levels of over and underspends being reported. F&P reports also provided inadequate information about the Tech Refresh. As late as February 2005, the report stated that the Chief Executive's department, which hosts the revenue element of the project budget, had a projected underspend of £0.4 million (as reported in April 2005). As noted above, the June 2005 outturn report identified a £2.6 million overspend for the department, including £2.9 million additional Tech Refresh costs.
Para 48	As noted above, the Council's overall underspend on the General Fund enabled the Tech Refresh overspend to be absorbed within the overall Consolidated Revenue Account for 2004/05. This was reported to Members via the 2004/05 annual accounts and the June 2005 outturn report. However, major increases appear to have occurred in the project estimates without the formal virements being made or reported, and the Council needs to review its procedures in this regard

The criticisms set out above have been addressed in the Executive's action plan of 21 February, in response to, in effect, all of the recommendations which, in different ways, are developments of our project and programme methodology. Members may wish to note that the project and programme methodology in place, even before the District Auditor's recommendations, has been substantially improved over that in operation in 2003.

*5. 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 (see under question 2).

The production of the budget involved consultants and Council officers. Further information is set out under question 6.

*6. 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 (see under question 2).

The consultants involved in the preparation were Northgate and Deloitte. Independent review of the plans and proposals was carried out by Gartner.

*7. 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. As indicated at the 28 February meeting, the pre-project fees were approximately £150k.

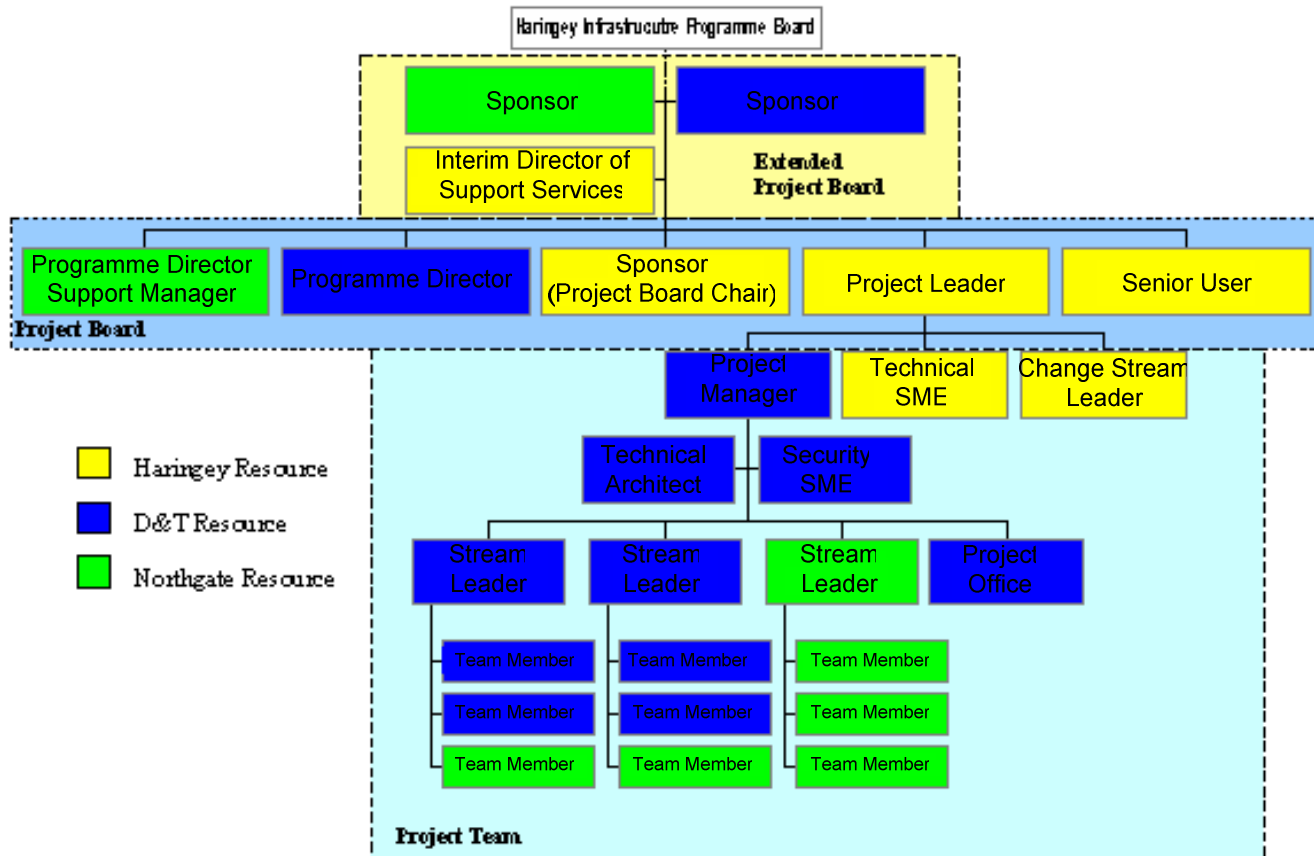
8. How many meetings did the (then) Lead Member attend to discuss the progress of the commissioning phase?

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

Appendix 2 shows the membership and frequency of the e-government advisory committee from 2002.

9. Who (in-house) comprised the project team?

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



10. When was the project signed off and the budget agreed?

At the Executive on 10 June 2003.

Project implementation

11. When did the Tech Refresh project start the implementation phase?

After the meeting of the Executive on 10 June 2003.

*12. Outline the management controls and procedures that were set up to run the project? 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. The report considers project assurance and change requests.

<p>Para 28</p>	<p>Project assurance is the independent monitoring of the project progress and management on behalf of the Project Board to ensure the project is being well managed. The three main areas of project assurance are as:</p> <ul style="list-style-type: none"> <li>• business: monitoring the business case, business risks and expenditure;</li> <li>• technical: monitoring the use of standards and the quality of products; and</li> <li>• user: monitoring that the end product continues to meet the user’s specification throughout its development.</li> </ul>
<p>Para 29</p>	<p>There has been little project assurance to date and it is not clearly defined within the project initiation document. As a consequence, it is unclear how the project board has ensured an ongoing robust independent overview of the project.</p>
<p>Para 30</p>	<p>‘Scope creep’ is a change or growth to the original project and within large complex projects an element of this is reasonable. Should this occur, the project manager and board should work effectively to manage changes so as not to affect the project timelines and budget. From an early stage, there has been little challenge to scope creep within the Tech Refresh project. There is no clear audit trail of robust challenge through questioning of needs and wants, for example through the Project Board minutes, nor identification of the business benefit of change and the underlying issue making the change necessary.</p>
<p>Para 31</p>	<p>The process for managing and authorising project change requests gives rise to a number of concerns. It is unclear what level of challenge was provided on behalf of the Council. Whilst the project board does not need to see all change requests, it needs to be aware of the overall quantum of changes and key individual items. It is clear that the Council’s Project Leader was able to authorise a significant amount of change requests before any form of scrutiny was applied. A number of change requests do not have a business sponsor. This suggests that the level of segregation between request and authorisation was not adequate. A significant weakness identified in this area is that a number of change requests have been submitted and approved</p>

	retrospectively.
Para 32	The lack of clarity around the status and control of change requests appears to have been a factor behind the cost overruns incurred by the project. The PID states that 'any changes or deviation to the project that will impact on project timescales or budget will require a change request to be authorised before work will be scheduled or undertaken or curtailed.' Change Request Forms are to be submitted to the Project Leader or Project Board 'as appropriate', without clear definition of what the 'appropriate' circumstances are.
Para 33	To date, some 140 change requests have been raised on the project, with a cumulative value of some £7.1 million (excluding £113,000 of cancellations). Our review of a sample of the change requests provides evidence that the appropriate control was not exercised. Examples we identified included: <ul style="list-style-type: none"> <li>• four requests account for £4.7 million of the changes, including £2.6 million for additional external support and £1.9 million for additional change management resources. It would be reasonable to expect changes of this magnitude to be considered at Project Board level, but the audit trail for any such discussions is lacking; and</li> <li>• retrospective requests, for example, £32,000 for the costs of running an information stall at the Council's 2004 Summer Event.</li> </ul>
Para 34	It is essential to establish tolerance levels from the outset of the project – no project ever goes fully to plan and the project manager needs to have a clear understanding of when to escalate issues to the Project Board. Even with a good plan, elements will go astray. Tolerance is the permissible deviation from the plan without bringing the deviation to the attention of the next higher authority within the management structure. The two elements to tolerance are most commonly time and cost.
Para 35	No clear predefined limits or tolerance levels have been laid down within the project. As a consequence, escalation of problems and issues appears to have been taken in an informal way or not at all. It is not clear whether a number of these issues were hidden, ignored or just not acted upon appropriately at an early stage or most probably a mixture of all three.
Para 36	The status of change requests in terms of their impact on the project budget is also unclear. Finance officers have indicated that any additional costs arising from such changes need to be covered from existing allocated budgets, unless a virement is authorised by the Chief Accountant. However, the scale of additional costs arising from Change Requests, coupled with the

	absence of any reported virements to the project up to April 2005, would suggest that project staff were not sufficiently aware of this procedure.
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The criticisms set out above have been addressed in the Executive’s action plan of 21 February, in response to, in effect, all of the recommendations which, in different ways, are developments of our project and programme methodology. Members may wish to note that the project and programme methodology in place, even before the District Auditor’s recommendations, has been substantially improved over that in operation in 2003.

*13. 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 15 of his report:

Para 15	An essential requirement of project board members is regular attendance at board meetings to ensure a robust decision making process is in place. Strong commitment from all members of the project board is essential to ensure that the appropriate lines of responsibility, accountability and reporting structures are in place and effective. This has not been the case, with poor attendance by some board members whose remit was to represent the Council’s interests.
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It is not normal practice to provide details relating to individual members of staff in open meetings.

The criticism set out above have been addressed in the Executive’s action plan of 21 February, in response to, recommendation 6 (corporate finance representation) and 8 (robustness of the project board).

*14. Were outside consultants used to simply help run or did they fully run the project?*

The project structure is set out above paragraph 15 of the District Auditor’s report (see question 9). This shows whether individuals were from the Council or external partners and clearly shows that the Council retained overall responsibility for the project.

*15. 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 a regular basis.

Appendix 2 shows the membership and frequency of the e-government advisory committee from 2002.

*16. 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 budget break down set out above (under question 3) provides an explanation of the cost overrun and the delay.

*17. 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.*

The position on change management is set out under note 2 of the budget analysis, namely: "Change was originally intended to be a Council function. The cost over run is because this had to be performed by Deloitte's."

The changes to the project were governed by change requests. The reasoning is set out above in the budget analysis, under question 3.

*18. 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 (above under question 4). The reasoning and timing is set out above against the budget analysis (see question 3).

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

The formal reporting to members is set out in the answers above (question 15). The position on the reporting of the scale of the potential overspend is set out under question 24 and 25.

*20. 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.

The internal audit service, in its programme of work agreed by the Audit Committee, also did not identify any issues.

*21. 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:

Para 10	The Council is now taking action to exercise greater control over this project. Actions include commissioning this review in order to learn lessons both for managing this project to its conclusion, as well as for other significant schemes, tightening project management and enhancing financial information. The Finance and Performance report to the November 2005 Executive suggests that there is further potential slippage and additional costs over budget to be incurred on the project in 2005/06. The Council needs 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.
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The response is further amplified in the answer to question 25.

*22. 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.

Para 16	The Tech refresh project was and remains a significant risk for the Council. The project sponsor is the ultimate Senior Responsible Officer for project approval and support and for ensuring that the overall strategic direction of the project is maintained. It would be expected that with a project of this size and risk the project sponsor would have been an executive board member of the Council. However, this was not the case, the project sponsor being the Head of ICT, a second tier officer.
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*23. Have there been any staff disciplinary proceedings as a result of the project overspend and over run?*

No.

*24. 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.

*25. 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?*

It is not normal practice to comment on advice given to Executive Members in fulfilling their portfolio responsibilities other than where there are formal processes under the constitution. In addition I was not the relevant Executive Member at the time. However, the advice and 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.

*26. 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.

*27. 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

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

July 2005.

*29. 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.

*30. Who made that decision and on whose advice?*

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

*31. 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.

Para 6	<p>The review was carried out through:</p> <ul style="list-style-type: none"> <li>• A review of key documents; and</li> <li>• Interviews with key officers involved with the project. This did not include former employees or external partners or consultants.</li> </ul>
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### Post Commission report

*32. 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.

*33. 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 yet 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."

*34. What has been done to ensure clear audit trails?*

The audit trails around, for example, finances, decisions and boards are clear and the Post Implementation Review will use this information. The information is stored within the Project Management Office and the Council's financial systems.

*35. 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.



## The future

*36. 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.

*37. 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.

*38. 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.

The purpose of the post implementation review will be to review the benefits realisation, assess value for money and to establish any specific or general learning points. I will be working on the terms of reference of this piece of work so that we are ready to commence the review early in the new administration.

## **Questions from Cllrs Hoban and Davies**

*39. 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.*

Please see Appendix C.

*40. Who made the decision to commission the investigation and when?*

See above (questions 28 and 29)

*41. 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 Deloitte's is clearly set out in the report to the Executive on 10 June 2003. A different part of Deloitte's is the Council's internal auditor. The s151 (Director of Finance) 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

42. *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
<b>Total</b>	<b>196</b>
	<b>307</b>

### **User log-ons and assets**

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

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 Minister;
- 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**

*43. 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 (above question 4). 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

7 March 2006

## Appendix A

### Action points from Overview and Scrutiny meeting – 28 February 2006

1. Cllr Winskill asked about officers being subject to disruption during Tech refresh but made a particular reference to:

- Environmental Services being without systems for several days; and
- Hornsey Library staff having just 5 work stations between 25 staff.

Cllr Sulaiman, you offered to investigate this.

The plan for individual users was that very little productive time was lost as their desktops were swapped over. As you would expect, this plan was not always successfully delivered for a variety of reasons. It is difficult to be more specific without knowing the team to which the question refers.

The ratio of staff to workstations is a matter for individual business units. The number of workstations was a like for like replacement under Refresh. The Library Service is separately seeking additional workstations following Refresh.

2. Cllr Winskill felt that the project dates provided on p2 of the answers to questions were inadequate and asked for a more detailed breakdown of dates; which should include details of all project meetings attended by the Lead Member, back to 2003.

Now provided in Appendix B.

3. Cllr Winskill asked to see the original detailed budget for the project as he felt that paragraph 24 of the Audit Commission Report was not detailed enough. Cllr Sulaiman, you suggested that Cllr Winskill would benefit from sight of the answer given to Cllr Williams on 19 July at Full Council last year and Cllr Winskill agreed to take this. Councillor Winskill also requested the projected overspend profile from 2005.

Now provided.

4. Cllr Winskill asked for the names of the smaller contractors involved in the project (as well as Gartner, Deloitte

Now provided.

and Northgate).

- |   |   |
|---|---|
| 5. Cllr Winskill asked for a copy of the original Gartner Report recommending the Tech Refresh project, back in 2002.   | Now provided.   |
| 6. Cllr Winskill asked for the Director of Finance's and former CE's written responses to the overspend and any documents supplied to the Executive. Cllr Sulaiman, you agreed to this, provided the documents were not Exempt. | Formal advice is set out in June 2005 Executive papers. |
| 7. Cllr Winskill asked about the Leaders investigation and report into Tech Refresh and asked if he could see the Terms of Reference for this.  | The terms of reference have not yet been finalised.     |

Members then agreed to reconvene the meeting until the 9<sup>th</sup> March at 2:30 and discussed the format it should take as set out below:

- |  |   |
|--|---|
| <ul style="list-style-type: none"><li>• It was agreed that Cllr Hoban's questions would be taken at the next meeting.</li></ul>  | Noted.  |
| <ul style="list-style-type: none"><li>• Members felt that the Audit Commissions report should be looked at closer at this meeting, is it being implemented?</li></ul>  | The answers have been updated to integrate cross reference's to the Executive's response. |
| <ul style="list-style-type: none"><li>• The answers should not be cross referenced to the report but the responses cut and pasted in</li></ul>   | Done.   |
| <ul style="list-style-type: none"><li>• The meeting should identify which questions need to be revisited and whether this should be by Overview and Scrutiny, Executive, Leader or District Auditor.</li></ul> | Noted.  |
| <ul style="list-style-type: none"><li>• O&amp;S should give some input into how the VFM study would be approached.</li></ul>   | Noted, although ultimately the study will be sponsored by the Executive.                  |

## Appendix B

### Membership and attendance at the e-government advisory committee 2003 - 2005

#### 2002/03

##### Membership

Adje (Chair)  
Basu  
Bull  
Meehan

##### Meetings

18 September 2002  
17 October 2002  
28 November 2002  
17 April 2003 \*

#### 2003/04

##### Membership

Basu (Chair)  
Adje  
Makanji  
Meehan

##### Meetings

13 October 2003 \*  
20 November 2003 \*  
5 February 2004 \*  
20 April 2004 \*

#### 2004/05

##### Membership

Basu (Chair)  
Adje  
Milner  
Reith

##### Meetings

8 July 2004 \*  
12 October 2004 \*  
20 January 2005 \*

\* Indicates Tech Refresh on agenda.

## Appendix C

### Refresh timelines

April 2003	Project planned and ready to go, on advice of Deloitte and Northgate. Independent review requested from Gartner Group and deliverability of solution and costings. Presentation to e-government advisory (17 April 2003).
June 2003	Project agreed by Executive, following positive independent review. Haringey programme manager running project, Deloitte and Northgate mobilised. Project overseen by board with senior executive representation from three partners: the Council, Deloitte and Northgate. Project end date planned to be November 2004.
July 2003 – May 2004	Project proceeding as planned. Issues being resolved and risks managed, with the exception from December 2003 of change management which was agreed as a Council responsibility and was not mobilising. Update reports to e-government advisory in July 2003 (flagging major dependency on accommodation strategy), October 2003 (flagging issues with the data centres location and slippage in change management activities), November 2003 (flagging issues with change management and emerging issue with the complexity of our application environment), February 2004 and April 2004 (providing updates on these areas).
March 2004	Procurement approach agreed by Procurement Committee. Authority vested in ACE (Access).
May 2004	Lack of change management activity identified as key barrier. Internal solution identified but not delivering.
July 2004	Slippage of end date from December 2004 to March 2005 flagged to e-government advisory committee. Revised approach to change and deployment set out.
July 2004	New data centres successfully built and operational.
August 2004	Issues with procurement (planning ahead to hit time lines), management reporting to programme board, relationships between the three partners and Northgate input identified. Deloitte engagement extended to provide change management service. Project replanned and

	management reviewed. Revised project end date March 2005. Programme manager replaced and Northgate senior executive input changed, at our request.
August 2004 – November 2004	Successful migration of exchange e-mail to archiving solution.
September 2004	Active directory implemented. Active directory manages the user population.
September 2004	First successful file structure migration. Other migrations have followed on as planned.
October 2004	Refreshed environment deployed to IT department as a pilot. This demonstrated substantial problems with the stability and functionality of the build. Update to e-government advisory, flagging procurement of internet links as an issue.
November 2004	Continuing problems with the build identified and concerns with the links with/transition to the live environment logged (both Northgate responsibilities). Considerable efforts required on relationship management.
December 2004	Review of programme by Council. Renewed commitment from partners to make project work. Approach adapted and end date shifted to May 2005.
January 2005	Northgate input still causing concern. Escalated to Northgate Chief Executive. Replanning and further delays flagged to e-government advisory committee.
February – March 2005	New Northgate team mobilised. Substantial concerns raised about quality of work to date and the volume of work required to hit plan. Amber status of project (with red on timescales) flagged to Member Working Group on Customer Services.
April 2005	Risks which the Council would have to accept to hit plan articulated. Risks unacceptable. Delay in project required of further 12 weeks (end date December 2005). External partners disengaged. Council running programme direct.
July – August 2005	Completed infrastructure successfully working in pilot area (IT Services).
September 2005	First deployment to non-pilot area successfully completed.



February 2006

Deployments substantially complete, and project close down with remaining activities, issues and risks passed to Business as usual operations.