



**HAMPSHIRE
FIRE AND
RESCUE
AUTHORITY**

Purpose: Noted

Date: 26 July 2018

Title: ICT Project - Update on Financial Management Action Plan

Report of Treasurer

EXECUTIVE SUMMARY

1. The purpose of this report is to provide an update on the management action plan that was submitted to Standards and Governance Committee in response to the internal audit reports on the ICT Transformation Project overspend and budgetary control.
2. The report highlights the fact that the majority of the management actions are now complete and where this is not the case sets out a rationale for this and proposed next steps.

INTRODUCTION AND BACKGROUND

3. During last year financial year, routine budget monitoring by the Finance Team uncovered a significant overspend on the ICT Transformation project. Internal audit were asked to investigate the reasons for the overspend on the project and were also asked to undertake an audit on budgetary control across the whole service.
4. The first audit concluded that there had been poor project management and oversight of the ICT project and that delays to go live and subsequent problems after, meant that significant money had been spent on bringing in consultants and contractors without the appropriate authority or budget approval.
5. The second audit highlighted that whilst in general terms there was low financial risk across the majority of services and projects within HFRS, compliance with project management, budgetary management and control processes needed improving.
6. A comprehensive management action plan was put in place to address these concerns and an update was provided to the Executive Group at the end of May and Members of Standards and Governance Committee were provided with an informal update at that stage notifying them of planned slippage in some of the items.
7. This report provides a further formal update to Standards and Governance Committee on the status of the actions.

MANAGEMENT ACTIONS

8. Appendix 1 sets out the action plan that was approved by Standards and Governance Committee in January. The original timescales are provided for information and responsible officers have been updated to reflect the change in senior management arrangements.
9. A number of the actions on the plan relate to the responsibilities and expectations of budget managers and in the original submission to Standards and Governance Committee it was stated that these would be covered off by a 'comprehensive management instruction'.
10. The instruction was issued to budget managers and project managers on 29 June and is repeated for Members information in Appendix 2, you will note a key message around appropriate escalation, which is probably the biggest single item that would stop such an occurrence ever happening again.
11. Following the issue of this instruction that now means that 17 of the total 21 management actions are now complete and the Committee is therefore requested to note the progress and provide any feedback as appropriate.
12. The main area where there are outstanding actions is within project management and control and these actions are being subsumed within a wider piece of work around the role of the Programme Management Office and the documentation, processes and procedures employed in respect of project management activity.
13. The only other areas relate to the updating and issuing of guidance information for budget and project managers, which is partially complete but cannot be finalised until the work around project management and the PMO is complete. Once this has been done a full pack will be issued to budget managers and will be available of the intranet.

SUPPORTING OUR SERVICE PLAN AND PRIORITIES

14. Good financial management is a pre-requisite for any organisation and is key to achieving our service plan priorities. The actions detailed in this report will ensure that there is better governance around project and budgetary control across the Service.

LEGAL IMPLICATIONS

15. There are no direct legal implications arising from this report but the statutory role of the Chief Financial Officer must ensure that there is proper administration of the financial affairs of the Authority.

RISK ANALYSIS

16. In general terms the financial risks faced by the Authority on a day to day basis are small since most expenditure is directed towards people, property and

vehicles and there is limited demand led activity within the service outside of retained call outs.

17. However, the audit investigations highlighted the fact that no financial risk assessment was carried out in respect of projects that were initiated within the Service and this has therefore been corrected as one of the management actions.
18. In any event the requirement to appropriately escalate financial issues of concern is a major risk mitigation factor in most circumstances.

CONCLUSIONS

19. Although it is important to keep the ICT overspend within the overall context of many years of good financial management across the service, it nevertheless represents a very serious incident which requires appropriate action to be taken.
20. The majority of the action plan has now been completed, but it is important that these items are now embedded across the Service to ensure that financial management is being given the level of importance it requires.
21. The Executive Group and Finance Team will continue to ensure that appropriate focus is given to this area and a follow up audit is planned for 2019/20 to further review the position.

RECOMMENDATIONS

It is recommended that Standards and Governance Committee

22. Note the update on the management actions detailed in Appendix 1 and provide any feedback as appropriate.

Appendices :

Appendix 1 – Update on management action plan

Appendix 2 – Management instruction

UPDATE ON MANAGEMENT ACTION PLAN

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
a)	Induction training for all new budget managers.	Kate Boynton	Process in place by April 18	Complete	Training sessions have been programmed in on a regular basis so that new starters or those managers who are new to budget management will be given the appropriate training to ensure all new budget managers have the necessary understanding of their responsibilities. Link to (c) below.
b)	Mandatory finance training for all existing budget holders	Kate Boynton	End March 18	Complete	Training sessions had already been planned from January 2018 onwards and these have taken place. Two further wash up sessions were held during June for those managers that missed the first courses.
c)	A commitment to have finance training as a qualifying requirement for promotion where applicable, therefore becoming either a pre-employment training (PET) requirement or a requirement within a set period of taking up post.	Rob Carr / Molly Rowland	Process in place by April 18	Complete	Finance training will be stated as a requirement in the competencies framework for all Station Managers and for all green book budget holders. This will ensure that as with other competencies they will have to do the training and then have to retain the competence through refresher courses that will be made available on-line in the longer term.
d)	A review of the current guidance for project managers and line managers with budgetary responsibilities to include clear expectations of what is expected of them and their delegated spend and approval levels.	Kate Boynton / PMO	End April 18	Partly complete	The existing guidance has been reviewed but is awaiting formal update whilst the new management structure and responsibilities and accountabilities are put in place and the review of PMO and project management arrangements is completed. A complete guidance pack will produced once everything is finalised.

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
e)	Training to include how to use portal reports and details of the financial housekeeping activities budget managers should do regularly.	Kate Boynton	End March 18	Complete	This is contained within the finance training in action b.
f)	Training to include an understanding and appreciation of financial regulations and contract standing orders.	Kate Boynton	End March 18	Complete	This is contained within the finance training in action b.
g)	Written guidance available on the intranet that covers these issues.	Kate Boynton	End June 18	Ongoing	The aim would be to produce a single pack that budget managers have access to once all of the parts of this action plan have been completed (as per item d).
	<u>Budgetary Control and Forecasting</u>				
h)	Requirement that all managers will look at their budgets and update forecasts at least quarterly, and more frequently in the early stages of a project.	Rob Carr / Neil Odin	End June 18	Complete	Covered by comprehensive management instruction and compliance checking
i)	Budget Managers are expected to escalate issues of financial concern to their line manager and Finance (this is in response to audit Action Plan 8 and 9, where it is not felt appropriate that separate reports are produced by budget managers for onward reporting and limited resources mean that Finance cannot meet with all budget managers on a set basis).	Rob Carr / Neil Odin	End June 18	Complete	Covered by comprehensive management instruction and compliance checking

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
j)	Corporate monitoring will be carried out quarterly which will include formal reporting by Directors to the Executive Group and HFRA.	Rob Carr	End June 18	Complete	Covered by comprehensive management instruction and will be supported by the Finance Team.
k)	Compliance checking by Directors that budget managers are carrying out effective budget monitoring, forecasting and housekeeping.	Rob Carr / Neil Odin	End June 18	Complete	Covered by comprehensive management instruction and will be supported by the Finance Team.
l)	Ensure that the Establishment Management Group (EMG) are monitoring establishments and the spend on staffing, which should include all staff related costs (temporary, agency, volunteers etc.).	Molly Rowland	End June 18	Complete	This is being picked up by the new Resource Management Group and is currently in place. This item relates more to the control of establishment than it does general monitoring since budget managers should also take responsibility for their workforce budgets and monitoring.
	<u>Project Management</u>				
m)	Risk assessment of projects from a financial and non-financial point of view at the outset to determine the appropriate board representation and onward reporting.	Shantha Dickinson	Process in place by April 18	Complete	A process is in place to ensure this happens going forward and a review of existing projects to ensure there is appropriate representation has been carried out. A review of the PMO and associated processes is currently in train and this action will be further picked up as part of that to ensure it is embedded in process and guidance.
n)	Stricter financial reporting to all boards for projects concentrating on costs not just achievement of savings.	Shantha Dickinson	End June 18	Complete	Covered by comprehensive management instruction and will be further picked up as part of the PMO review to ensure it is embedded in process and guidance.

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
o)	Reporting timelines to be proportionate to the length and risks of the project but with a minimum of monthly highlight reporting.	Shantha Dickinson	End April 18	Complete	Covered by comprehensive management instruction and will be further picked up as part of the PMO review to ensure it is embedded in process and guidance.
p)	A review of the highlight report format to ensure that it is fit for purpose from a financial point of view.	Rob Carr	End March 18	Partly complete	The current highlight report has been reviewed and it is felt that the amount of information within it is excessive for regular reporting, since focus should be on escalating key issues to the appropriate board / senior manager. Changes to the highlight report will be considered as part of the PMO review.
q)	Compliance checking by the PMO to ensure that highlight reports are being completed appropriately.	Shantha Dickinson	End March 18	Partly complete	This has been communicated verbally to the PMO and will be included as part of the formal review of processes. It is also covered by the comprehensive management instruction.
r)	The appointment of Finance and Quality Assurance members on Project Boards to be considered at the initial stages of establishing the governance arrangements for all projects.	Shantha Dickinson	Process in place by April 18	Complete	This is essentially a repeat of (m) - A process is in place to ensure this happens going forward and a review of existing projects to ensure there is appropriate representation has been carried out. A review of the PMO and associated processes is currently in train and this action will be further picked up as part of that to ensure it is embedded in process and guidance.
	<u>Procurement</u>				
s)	Appropriate Officers to be made aware of requirements and approval limits within Contract Standing Orders and Financial Regulations.	Rob Carr / Neil Odin	End April 18	Complete	This was reviewed as part of the update of the Constitution and approval limits are covered in the training referred to above.

Item	Management Action	Responsible Officer	Original Timescales for delivery	Status	May 2018 Update
t)	A simple guide of key procurement issues to be made available on the web.	Kate Boynton	End March 18	Complete	Already available, see: http://intranet.hants.gov.uk/corporateprocurement/procurementinhampshire.htm
u)	Procurement approvals and routes to be covered within future business cases.	Rob Carr / Neil Odin	End June 18	Complete	Covered by comprehensive management instruction

Management Actions Arising from the ICT Transformation Project Overspend

Introduction

You will no doubt be aware that last financial year an overspend in excess of £1m was incurred on the ICT Transformation Project mainly as a result of a delay in the implementation date and the employment of consultants and contractors before and after the go live date in order to resolve a number of system issues.

The project was subject to an audit investigation and a further audit on budgetary control was also carried out across the Service by the Southern Internal Audit Partnership. The results of these audits were transparently reported to Standards and Governance Committee and a comprehensive management action plan to address a range of shortcomings was put in place.

The purpose of this note is to make all managers aware of a number of key requirements and expectations of them in carrying out their roles as part of their business as usual duties.

These are detailed in the points below but the next section highlights an issue which is fundamental to the effective operation of any organisation, not just from a financial point of view but relating to responsibilities, accountabilities and decision making across the whole organisational structure.

Appropriate Escalation

Perhaps the most fundamental and disappointing element of the ICT overspend was that at no point were the financial problems within the project highlighted or appropriately escalated within the organisation.

It is entirely plausible that a large proportion of the expenditure relating to the overspend was in fact needed under the circumstances, what was missing however was the early escalation of the potential problems so that they could be considered and addressed and appropriate responses put in place.

This could have included asking the Authority for a further £1m of funding to meet the anticipated cost over run if this was justified, or putting in place other mitigating actions that may have prevented the over spend in the first place. The lack of knowledge of the problem and the subsequent late identification of it by the Finance Team later in the year has severely dented Members confidence in our financial management capabilities and this is something that we need to repair quickly.

A further important point in this regard is that escalation would never be viewed as someone not doing their job properly, it is an important part of management and decision making and in general the rule would be **'if in doubt, escalate'**.

Key Requirements and Expectations

Finance Training – All Budget Managers are required to undertake finance training in order to be able to undertake their role. This will be included in future competencies for relevant staff and you should by now have attended the recent financial training courses that were arranged by the Finance Team. If you have not done so or are unsure as to whether or not you need to attend, please speak to your manager or the Finance Team.

Budgetary Control and Management – In general terms, the financial risks within the operational budgets across the Service are not considered to be high, but it is still important that Budget Managers regularly undertake financial ‘housekeeping’ tasks, review their spend against budgets and provide forecasts to the Finance Team **at least on a quarterly basis**. The audit review highlighted that there was poor compliance by Budget Managers in this regard and our performance therefore needs to improve.

The Finance Team are there to support you in this process, but they are not responsible for completing it. We will be looking at compliance reporting during the year to ensure that Budget Managers are carrying out their financial responsibilities. Project managers are also accountable for the finances of their projects, but the frequency of reporting may need to be different as covered in the project reporting timelines point below.

Appropriate Escalation – It is accepted that financial management may be easier for some managers than others, given the different skill sets that individuals hold. It is therefore important that if Budget Managers are concerned about any part of their budgets, spend or forecasts that they escalate this to their line manager and to the Finance Team in order that the issue can be investigated and appropriate action taken if necessary. This should be done at the earliest opportunity and should not be ‘held over’ to coincide with the next financial reporting timescales.

Financial Reporting – The new arrangements for the Executive Group require Directors to provide quarterly reports on finance and performance (including projects). The Chief Fire Officer has made it clear that he expects Directors to be accountable for what is presented albeit that they will be supported by the Finance Team and their own teams to pull the information together. This will include forecasts of spend to the end of the year (or project) and it is important that Budget Managers take this process seriously to ensure the most accurate information is reported each quarter. There will also be onward reporting to the Authority but at a more summarised level.

Project Reporting – Projects by their very nature tend to deal with implementing change and therefore there is inherently more risk associated with delivery and the financial arrangements. Good project reporting relies on an honest assessment of delivery against outcomes, quality, cost and timelines as part of a regular highlight report.

Project boards or responsible officers should be disciplined in requiring timely and honest highlight reports to be completed and should challenge project managers where this is not the case. The ICT project did not properly report the financial aspects of the project and this was not challenged by the project board or the PMO.

The highlight report and reporting arrangements will be simplified and streamlined as part of a current review of this area and further information will be provided in due course. This will also include a review of the appropriate representation on project boards based on an initial risk assessment of the project itself.

Project Reporting Timelines – In general terms there should be a minimum of monthly highlight reporting for individual projects. However, the reporting timelines should be commensurate with the level of risk and length of the project itself.

Depending on this assessment that could mean that weekly highlight reporting is needed for some projects and the focus of highlight reporting is to appropriately escalate issues that may need to be considered or resolved in order to ensure the project stays on track. As stated above, a review of the highlight report format will be undertaken to better facilitate this.

Procurement – Budget Managers should be aware of their responsibilities and the processes associated with procurement. This is covered in the mandatory training highlighted above, but again the Finance and Procurement Teams are there to assist if you have any doubts.

In the future, any business cases put forward for projects or other expenditure need to be clear on the procurement route at the point of decision to ensure that this is appropriate.