

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny
DATE	27 June 2017
REPORT TITLE	Review of the Capital Programme Governance
REPORT NUMBER	CHI/17/153
DIRECTOR	Bernadette Marjoram
REPORT AUTHOR	Bernadette Marjoram
CHECKLIST COMPLETED	Yes/No

1. PURPOSE OF REPORT:-

- 1.1 The purpose of this report is to update elected Members on the progress of the Capital Programme Governance Review and the draft revised proposed governance arrangements.

2. RECOMMENDATION(S)

- 2.1 It is recommended that the Committee:
- a) Note the revised terms of reference for the Strategic Asset and Capital Board, attached at Appendix 1;
 - b) Note the amended governance arrangements for Strategic Infrastructure Plan and Capital Plan delivery as outlined in this report and attached at Appendix 2, incorporating the delivery of City Centre Masterplan projects within these governance arrangements;
 - c) Note that the Director of Communities, Housing and Infrastructure (Interim) be responsible for the Capital Programme until the restructure is undertaken;
 - d) Note the Capital Governance Review Action Plan which is attached at Appendix 3;
 - e) Approve that a monthly Members Reference Group, for the Capital Programme, be established with a membership of 5 Councillors, 3 nominated from the Administration and 2 nominated from the Opposition; and
 - f) Note an Internal Audit in Quarter 4 has been scheduled to review the arrangements and their operation.

3. BACKGROUND

- 3.1 The paper has been developed due to a number of factors:

- 3.2 Audit recommendations, both internal and external, have outlined the need for greater project management governance and principles to be applied to capital plan projects. Primarily this was to ensure the appropriate documentation and controls were in place. The key audit recommendations that the report addresses are:
- a) The Council should also continue to develop, support and promote the Programme Management Office (PMO) approach that has been implemented to ensure that projects are developed in a consistent, robust and well documented manner. The allocation of clear roles and responsibilities is a key requirement in delivering successful contracts;
 - b) Consideration should be given to monitoring and reporting progress against business case aims and targets;
 - c) Progress reporting for capital projects should be reviewed to ensure that sufficient information is provided e.g. about costs compared to budget, key decisions, slippage etc.; and audit trails are complete to assist more effective scrutiny. It is also important that key messages are adequately signposted; and
 - d) Lessons learnt should be collated and reported to management and elected members. As a minimum this should be done as part of the post completion evaluation.
- 3.3 An internal project health check, undertaken in 2016, highlighted a number of capital projects that did not have adequate documentation or governance in place, which is being addressed.
- 3.4 Discussions have taken place with the City Centre Masterplan (CCMP) Director, Director for Communities, Housing and Infrastructure (Interim) and the Service Manager (PMO), to bring the delivery of CCMP projects into “business as usual” and refocus the CCMP Board as an outward looking board focussing on partnership and relationship management and reputational management.
- 3.5 Following the Council’s issue of Bonds on the London Stock Exchange, there is an increased requirement to have a robust governance structure in place around the delivery of the Capital Programme, to provide the necessary assurances to the Council’s investors and credit rating agency.
- 3.6 Following the internal project health check carried out by the PMO, in 2016, the need for a further “deep dive” into the Capital Programme was identified as a large proportion of the projects do not have the necessary documentation or governance in place.

4. FINDINGS

- 4.1 To facilitate the “deep dive” into the Capital Programme a series of “Star Chamber” sessions were undertaken in April 2017. The purpose of these sessions was to establish how the projects within the Capital Programme were being managed, what issues the projects had as well as any best practice that could be shared. They consisted of a panel comprising the Director of Communities, Housing &

Infrastructure (Interim), who chaired the sessions, PMO, Capital Programme Review Advisor and internal corporate colleagues e.g. finance, procurement. Each Project Manager was asked a series of questions that had been prepared by the PMO and Capital Programme Review Advisor, in consultation with the Strategic Asset and Capital Board.

4.2 The outcome from the Health Reviews, the “Star Chamber” sessions and discussions with the PMO and Corporate colleagues engaged with the Capital Programme identified a number of recurring themes. These fell into three key themes, listed below:

4.3 **Strategic:**

- Strategies/plans
- Assets
- Benefits
- Monitoring & reporting
- Development of projects
- Leadership
- Fleet
- Education
- Arms Length External Organisations (ALEOs)
- Energy Projects

Finance:

- Financial Reporting
- Cost Estimates
- Whole-life costing
- Contingency
- Unfunded projects
- External funding

Governance:

- Members
- Project management skills and knowledge
- Project management capacity
- Roles and responsibilities
- Approvals
- Change Control
- Risk Register
- Project Issues
- Lessons Learned
- Interdependencies
- Contracting
- Communications strategy
- Utilities
- Revenue Projects
- Project Closure

4.4 Following the review findings, it is appropriate that the governance arrangements for the Capital Programme which includes the Strategic Infrastructure Plan, Capital Plan and City Centre Masterplan, etc are reviewed and strengthened . The changes are outlined below:

Programme Structure

- All SIP and capital plan projects will be grouped together into programmes of work;
- Each programme will be governed by a programme board, have a Programme Sponsor and a Programme Manager;
- These programmes of work will also include the CCMP projects, meaning the accountability for decision making and approvals rest with the programme sponsor, programme boards and ultimately the Strategic Asset and Capital Board;
- Attached at Appendix 2 is the programme structure and governance, including proposed programme sponsors, programme managers and outlining current project managers.

Stage Gate Reviews

- The Council has four standard review points (gates): Proposal; Business Case; Close; and Benefits Review;
- To ensure robust project development there will be additional stage gate reviews that the Strategic Asset and Capital Board has the option to add depending on the complexity and size of project, for example: Project Planning; Invitation to Tender (Project Brief); Detailed Design; and Appointment of Contractor. Decisions at each key stage will be aligned with delegated authority to the appropriate level of decision making (including Committee decisions). This approach will enable schemes to be reviewed at key points in development to ensure strategic fit, value for money, commercial viability and deliverability. At each gateway stage the board would decide the next gateway review;
- A proportionate approach will be adopted dependent upon the scale and complexity of projects to ensure a streamlined approach and avoid unnecessary bureaucracy;
- As per current governance arrangements, within the implement stage, every project is subject to the standard monthly reviews;
- See attached at Appendix 4 the stage gateway review process.

Strategic Asset and Capital Board

- Project scrutiny and challenge will now take place at the programme boards, enabling the Strategic Asset and Capital Board to focus on its strategic role;
- The Board will receive highlight exception reports from each programme board, rather than the full dashboard giving an update on every project (if the Board wish to dive deeper into a project then this information will be available as necessary);
- All decisions required of the Board will be outlined in the highlight/exception report;
- The Board will act as the gateway approval for all capital projects and will consider and approve each of the stage gate reviews;
- The Board will consider programme interdependencies at portfolio level;
- Attached at Appendix 1 are the revised Board terms of reference.

Programme Boards

- Each programme board will be chaired by the relevant programme sponsor and will be managed by a programme manager;
- The Board will provide direction to the projects and provide appropriate scrutiny and challenge;
- The Board will consider interdependencies across the programmes and projects within their remit;
- Each programme will have an overarching programme plan (including project milestones, resource requirements and interdependencies) as well as a risk register, communications plan and benefits realisation plan;
- The Programme Manager will be responsible for the programme plan;
- Project Status Reports (PSR's) will continue to be submitted for each project and the programme dashboard created;

- The programme boards will finalise and agree the highlight reports that will be submitted to the Strategic Asset and Capital Board;
- The programme manager will draft, finalise and submit the highlight report.
- Programme managers will be responsible for ensuring that actions coming out of either the Strategic Asset and Capital Board or Programme Board are cascaded to project managers.

Programme Management Office (PMO)

- To be proactive and independent;
 - Provide assurance to Strategic Asset and Capital Board that the Programme is on-track and being managed effectively;
 - Supports programme and project managers e.g. advice on governance route, risks, change control process, business cases;
 - Deliver a secretariat service to the Strategic Asset and Capital Board and Programme Boards i.e. agendas, meeting papers, minutes, updates programme register;
 - Deliver training sessions on project management and governance procedures;
 - Prepare dashboards for Programme Boards and the Strategic Asset and Capital Board, Admin Leaders/CMT, Finance, Policy and Resources Committee, and any other agreed governance forum;
 - Scrutinise and challenge project highlight reports as necessary.
- 4.5 To ensure that governance designed to be more effective in terms of programme and project management is fully implemented an Action Plan, attached at Appendix 3, has been produced that addresses the issues identified within the themes set out in paragraph 4.3.
- 4.6 To ensure that Members have the appropriate oversight and the opportunity to scrutinise the entire Capital Programme, going forward, it is proposed a monthly Members Reference Group should be established. This will not be a decision making meeting and will comprise 5 Members, 3 nominated from the Administration and 2 nominated from the Opposition, as part of the wider agreed governance.
- 4.7 A follow-up internal audit has been scheduled to take place in quarter 4 to ensure that the identified actions have been implemented and that the revised governance arrangements are embedded throughout the Council.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from the recommendations of this report. However, a separate review is being undertaken that is reviewing the resource requirements needed to manage the Capital Programme to ensure it is resourced to be pro-active and independent in providing assurance.
- 5.2 Delivering the action plan at Appendix 3 as part of the Capital Programme Review, ensures that there will be more robust programme and project management in place, therefore providing greater assurance to Members that capital projects will be managed and delivered on time and on budget.

6. LEGAL IMPLICATIONS

6.1 There are no direct legal implications arising from the recommendations of this report.

7. MANAGEMENT OF RISK

7.1 Recommendations within the report and the subsequent action plan have been developed to reduce the risk of the delivery of the Capital Programme. The risk identified is the capacity of the Council to implement the new governance structure, this is being mitigated by carrying out a resource assessment.

8. IMPACT SECTION

8.1 The report itself has no direct impact; however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme.

8.2 Economy

The Council aims to support improvement in the local economy to ensure a high quality of life for all people in Aberdeen. The report itself has no direct impact, however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme. This in turn ensures that the delivery of the Capital Programme will have a positive impact on the local economy.

8.3 People

The Council is committed to improving the key life outcomes of all people in Aberdeen and so has agreed a set of Equality Outcomes (2017-21) http://www.aberdeencity.gov.uk/council_government/equality_and_diversity/eqd_report_2017_21.asp. The report itself has no direct impact, however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme. This in turn ensures that the delivery of the Capital Programme will have a positive impact on the people of Aberdeen.

8.4 Place

The Council is committed to ensuring that Aberdeen is a welcoming place to invest, live and visit and operating to the highest environmental standards. The report itself has no direct impact, however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme. This in turn ensures that the delivery of the Capital Programme will have a positive impact for Aberdeen and its infrastructure.

8.5 Technology

The report itself has no direct impact, however the implementation of the action plan will ensure a better governance structure is in place to deliver the Capital Programme. This in turn ensures that the delivery of the Capital Programme will have a positive impact for enabling technology.

9. BACKGROUND PAPERS

None

10. APPENDICES (if applicable)

Appendix 1 – Terms of Reference – Strategic Asset and Capital Board
Appendix 2 – Strategic Asset and Capital Governance
Appendix 3 – Action Plan
Appendix 4 – Revised Stage Gate Process

11. REPORT AUTHOR DETAILS

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