Report – Policy & Resources Committee

Project Management Review

To be presented on Thursday, 6th December 2018

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

It is recognised that the current approach to project management within the City Corporation has served well but as pressures have grown the time has come for evolution. This is evident both from issues identified within large and complex programmes of work undertaken by the City of London Corporation, as well as through feedback following an independent review conducted in 2017.

A programme of work has therefore been undertaken to review the current governance procedures and address the issues identified with the City Corporation's approach to project management. The first phase of the recommended improvements stemming from this review is now ready for implementation, pending the approval of the Court. This includes:

- The number of stages in the Gateway Approval Process being changed to a maximum of six;

- The introduction of a Costed Risk Provision;

- The approval of a revised version of the Projects Procedure incorporating these changes.

RECOMMENDATIONS

Members are asked to:

(i) approve the new Projects Procedure set out at Appendix 5 to the report;
(ii) delegate future amendments to the Projects Procedure to the Policy and Resources Committee as the City Corporation's approach to project management is further developed; and
(iii) subject to approval of (ii), approve an amendment to Standing Order No.50 (3).

MAIN REPORT

Background

1. The current project management process within the City Corporation was implemented in 2011. Whilst it has been the subject of moderate revisions over recent years, it is now timely to implement some more fundamental improvements to the process. This is evident from, as well as feedback from Arcadis,

2.   Following an independent review conducted by Arcadis in 2017, as well as the identification of issues within large and complex programmes of work undertaken by the City Corporation, a programme of work has been ongoing to review the current governance procedures and address the issues identified with the City's approach to project management.

3.   The first phase of review is now set for implementation. This stage has been reached following a review of the existing procedures and practices, which has led to the range of proposals outlined, as recommendations to enhance the approach to Project Management. A review of the financial thresholds will begin in the New Year.

Issues

4.   Consultation and analysis identified the following issues with the City Corporation's approach to Project Management:

- Early development stages of projects: Lack of clear measurable objectives and outcomes; unclear project ownership; insufficient engagement between departments; imprecise definition of project; inadequate assessment of risks and potential cost of those risks.

- Lack of cumulative reporting: No mechanism to aid Members to track cumulative changes between Gateway stages throughout the project lifecycle; absence of documentation to report incremental scope and budget changes; the current process reflects the last decision made at Committee but not the total changes made since the start of project.

- Governance: Governance procedures are focused heavily on Committees and process rather than outcome maximisation; insufficient delegations to deal with risks which are realised outside of the Committee cycle; a lack of understanding amongst officers as to how the process works.

- Inconsistency in reporting: Lack of standardisation for reporting of finance and risk; Provision of information in different formats; variance in approaches across departments.

Solutions

5.   A range of proposals have been developed as solutions to the issues outlined. These have been presented to your Projects Sub Committee at various stages throughout the year for feedback and are supported.

Changes to the early development stages of projects

6.   The introduction of a Project Briefing document will help to capture key information at project inception (such as measurable objectives/outcomes) and serve as a record of initial project aims. The addition of a costed risk process will help identify the potential breadth of the project, and revised sign-off procedures, whereby projects require Chief Officer approval prior to entering the Gateway Process, will also assist.

7.   Benefits of these changes include closer alignment with standard industry practice, a mechanism to encourage collaboration between departments and greater clarity on the objectives and outcomes the project is required to deliver.

<u>Introduction of cumulative reporting</u>

8.   A Project Cover Sheet has been introduced for the implementation of cumulative reporting. It will bring the benefit of capturing changes between Gateway stages, to allow Members to monitor any incremental changes in budget or scope, against what was initially agreed. This is essential for robust governance and oversight as currently the budget is re-baselined after each Committee approval.

<u>Revised Governance Process/Projects Procedure:</u>

9.   A revised governance process has been proposed for a more streamlined approach, reducing the total number of Gateway stages to a maximum of 6 (for complex projects), whilst linking each Gateway stage to a specific outcome (see Appendix 1 for further information). This now has closer alignment to the RIBA project delivery methodology (as outlined within the Projects Procedure) and will be simpler to communicate with external stakeholders.

10.   The report format, tools and templates utilised have been revised as part of this process. This is still ongoing and will be monitored under Project Sub Committee supervision to ensure they remain fit for purpose or adjusted accordingly. These changes are proposed to support delivery at pace, whilst ensuring information is presented in a consistent and succinct manner, to support informed decision making and robust central governance.

Costed Risk Provision

11.   The review process has highlighted that project risk remains an area in need of refinement. Specifically, a range of issues were identified including inconsistency in reporting, lack of standardisation, limited provisions to deal with risks which are realised without formal Committee approval, and a bureaucratic and inefficient process leading to numerous budget increase requests to Members (sometimes for nominal sums of money), together with additional time and cost delays as officers wait for Committee to meet or process urgency requests.

12.   The Projects Sub Committee considered range of options to address these issues and the implementation of a Costed Risk Provision is the preferred option. This would be implemented on a strictly controlled basis and linked to costed risks. Such an approach would consist of Members agreeing to a list of identified risks presented on a standardised costed risk register. Each Gateway report will request a specific officer's Costed Risk Provision to reach the next Gateway, based on these risks presented to Members. Should those specific risks seen and approved by Members materialise, officers will be able to utilise the approved provision to deal with these issues, via delegated approval to Chief Officers. Fuller details in relation to the approvals process are set out in Appendix 3.

13.   This approach brings the following benefits:

- Mechanism for swift response to deal with urgent issues;

- Restricts usage to essential pre-approved items required for risk management (agreed by Projects Sub Committee);

- Prevents any out of scope expenditure;

- Ensures that officers comprehensively assess the risks associated with a project from an early stage;

- Reduction in bureaucracy and paperwork submitted to Committee for low-value items;

- Fewer delays in project delivery and potential rising costs from such delays;

- Promotion of culture change and steps towards empowering qualified Project Managers to take responsibility for managing their budgets actively;

- Maintains Member oversight of usage;

- Allows for informed decision making. Where risk and the proposed amount is deemed excessive, Members may defer approval until there is confidence these can be reduced;

- Alignment with standard industry practice;

- Unspent amounts will be removed from the project budget by the Chamberlain and reported;

- Establishment of a process that has worked well on other projects, such as the Hampstead Heath Ponds Project.

Proposal

14. Approval is currently required from the Court of Common Council to make changes to the Projects Procedure and the revised Procedure is set out at Appendix 5 for consideration.

15. It is also recommended that, in future, authority to make changes to the Projects Procedure should be delegated to the Policy and Resources Committee, to allow it to make changes that enhance the effectiveness of the Projects Procedure more expeditiously. This is requested to support the Committee in implementing any necessary changes for strategic oversight of the management of projects. Standing Order No.50(3) would need to be amended as a consequence.

16. Delegation is also sought for that Committee, through its Projects Sub Committee, to authorise minor operational changes related to Project Management (for matters such as adjusting tools and templates as enablers), to make adjustments where necessary, to continue to fulfil its role of scrutiny and Project Assurance. The changes proposed have been piloted under Projects Sub Committee supervision and have worked well to date.

Project Management Capability

17. As part of the review, the offer of support and training to Project Managers is also being developed. This is necessary to ensure there is appropriate guidance to equip Project Managers with the skills they need to successfully deliver projects.

18. There is an existing classroom-based training offer which has been re-designed to ensure it has relevance to the way in which the City Corporation manages projects. An online training module and project toolkit will also be developed to provide further guidance on how projects are run within the City Corporation.

19. HR are currently progressing with early planning stages for the establishment of City Academy, a Corporate learning and development programme which will bring together various training streams under an overarching framework. These streams will relate to the development of skills such as Leadership, Apprenticeships and Project Management. The work to date on the Project Management Review will be embedded into the City Academy and this will include training modules around internal governance, risk and budget management.

20. A peer review process will also be established for major projects. This concept would establish a network of Project Managers who can act as a 'critical friend' to review other projects in a project assurance capacity, providing constructive feedback and suggestions based on experience from other projects.

Next Steps
21. The overall Projects Procedure and financial thresholds have not been reviewed since implementation at the start of the decade. Following these proposed changes to develop a more mature approach to Project Management, it would be prudent to review the current financial thresholds for the Gateway Approval Process, to support Member scrutiny and oversight in focusing on high-risk projects. This would also offer an opportunity for greater alignment with changes in Procurement frameworks.

22. A subsequent report is submitted to Policy and Resources Committee after the New Year, outlining options for changes to the thresholds, for Member consideration.

Appendices
- Appendix 1 – Gateway Process Outcomes;
- Appendix 2 – Summary of Changes;
- Appendix 3 – Costed Risk Approval Process;
- Appendix 4 – Summary of Proposed Amendments to the Projects Procedure;
- Appendix 5 – Revised Projects Procedure

All of which we submit to the judgement of this Honourable Court.

DATED this 15th day of November 2018.

SIGNED on behalf of the Committee.

Catherine McGuinness, Deputy
Chairman, Policy and Resources Committee