Committee(s):	**Dated:**
Operational Property and Projects sub-Committee – For Information Policy and Resources Committee – For decision Finance Committee – For decision	03/07/2023 06/07/2023 19/09/2023
Subject: Project Governance Review – key findings and proposals for new approach	**Public**
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1-12 (All)
Does this proposal require extra revenue and/or capital spending?	**Y**
If so, how much?	**£550,000**
What is the source of Funding?	**Transformation Fund carry-forward**
Has this Funding Source been agreed with the Chamberlain's Department?	**Y**
Report of: Chief Operating Officer	**For Decision**
Report author: Genine Whitehorne, Commercial Director and acting Project Governance Director, COO	

Summary

The Project Governance review was commissioned by the Operational Property and Projects sub-Committee (OPPs) and approved by the Policy and Resources Committee in October 2022. The review was a direct response to a commitment by Members to address the persistent issues in relation to lack of proportionality, clarity and understanding of existing policy and processes. The review aimed to assess existing governance arrangements and to recommend a future approach that would support an effective and proportionate governance and assurance framework for the delivery of projects across the Corporation and the institutions. The scope of this review included both corporate projects and major projects focussing on operational management and decision-making at officer level.

This report sets out the findings of the review and the proposal to introduce a portfolio management approach that provides greater assurance to Members regarding the delivery of strategic objectives, allocation of resources and management of strategic risks and issues. This approach is intended to provide cohesive oversight of all Corporation project activity allowing Members with visibility of the performance and associated risks across the entire project portfolio for the first time. This will allow for more effective challenge and scrutiny thereby ensuring project delivery aligns with strategic and investment priorities.

The proposals set out in this report, represent a significant shift in approach for the Corporation. At the heart of the proposals is the recognition of the need to ensure business and operational processes are robust, to enable a shift in Member focus from operational detail to outcomes and strategic oversight in support of the TOM principles and Member/Officer charter. The new approach will enable Members to focus on the most complex activity whilst being assured that effective operational procedures are in place to manage more routine activity. This will result in a reduction in the total number of projects in the Corporation's portfolio. However,

Members will retain oversight of roughly £2bn or 80% of the total project portfolio value. The proposed changes have been designed to ensure best value through project delivery and to ensure issues of affordability and financial sustainability are considered at the outset of any project. The proposals aim to bring us in line with recognised best practice and to ensure more effective and efficient use of resources including both Officer and Member time.

If approved, the first phase of implementation will focus on establishing strong foundations for developing the portfolio model over time. This includes ensuring the integrity of our data, developing the project management system and, establishing the Enterprise Portfolio Management office. This phase will also include work to map and test proposed operational processes and to undertake the detailed update of the Project Procedure. During this time, Officers will work with colleagues to understand implications for specific areas of the Corporation, such as Investment Property Group, to ensure conversations regarding increased agility in delivery is aligned with the development of the Project Procedure.

The scale of the Corporation's ambition is huge and it is right that we assess our operational practices and policies to ensure they live up to that ambition. If approved, implementing the proposals will require a long-term commitment to continuous improvement and culture change. The proposals include a series of qualitative and quantitative measures to assess impact and to ensure the intended benefits are realised.

The scope of the review was amended, by the Policy and Resources Committee, in March 2023 to include assessment of existing Member governance (i.e. committee structures). The findings and recommendations regarding Member governance are subject to a separate report on the agenda. Whilst the review of Member governance has been carried out independently, it is important that the relationship and interdependencies of the approaches set out across the two reports are understood. The recommendations in this report however are agnostic of Member governance arrangements.

Members are asked to note that it is intended to make use of the Town Clerk's transformation fund to implement the proposed changes and to meet the first year's operating costs. This has been approved, in principle, by Officers but is subject to the Chamberlain's further engagement with the Chairman and Deputy Chairman of the Policy and Resources Committee.

Recommendation(s)

Members are asked to:

Note

- the findings of the externally-led Project Governance Review set out in this report and in Appendix 1.
- proposals for the creation of an Enterprise Portfolio Management Office as part of an integrated Commercial, Change and Portfolio Delivery directorate and the subsequent merger of the existing Commercial Director role with the

Project Governance Director role, which has been covered by the Commercial Director since the TOM changes (01/04/2022).

Policy and Resources Committee are asked to endorse the following recommendations for onward approval by the Court of Common Council:

- Approve option 4B of this report for the development of a portfolio management framework including the new definition of projects and programmes (as set out in paragraph 19).
- Note the current Project Procedure will be retained for a period of 3-6 months whilst detailed design work is undertaken and the final version of the new Project Procedure will be presented to Members for decision.
- Delegate authority to the Town Clerk, in consultation with the Chairman and Deputy Chairman of Policy and Resources, to amend the current project procedure to incorporate the temporary measures previously approved by the Operational Property and Projects sub-Committee, namely delegation to (approved and trained) Officers to approve project-related decisions up to £1m for corporate projects and to descope routine procurements from the Project Procedure
- Note the implementation plan set out in Appendix 3.

Finance Committee are asked to agree the following recommendations:

- Authorise the Chamberlain to amend the Financial Scheme of Delegation and Finance Regulations, as necessary to implement the recommendations contained in this report once approved.

Main Report

Background

1. The Corporation has an ambitious portfolio of projects and programmes to deliver to achieve its strategic objectives. Effective project governance has an important role to play to ensure planned activity delivers the intended benefits, represents best value and supports effective financial controls.

2. The Corporation's approach to project and programme management has evolved over time, with the governance last reviewed in 2018. Since then, there have been a number of special arrangements put in place. These include the Investment Property Group (IPG) expedited process, the CLS schools' pilot, and the regular maintenance process. However, the definition of what constitutes a corporate project has remained fairly broad, and therefore continues to include non-project activity such as procurement and other low vaflue activity that should be considered as business as usual. Conversely, it does not include resource or change projects which do not involve capital funding but are nonetheless of strategic importance, scale or complexity.

3. The Operational Property and Projects sub-committee was constituted in May 2022 as a result of the Governance review. This new sub-committee took on the remit of three (previously separate) committees. With very low project thresholds (£50k for capital projects), it was recognised that the sub-committee would not be able to manage the volume of business presented at each meeting or to provide meaningful scrutiny in a way which adds value and, as such, a temporary delegation to Chief Officers of £1m was agreed subject to them completing appropriate training. At this time there were 340 live projects on the corporate project management system.

4. Major Projects, defined as projects over £100m in total value, are governed by a separate sub-Committee, the Capital Buildings Board. These projects are not subject to the Project Procedure, sit outside of the gateway process and are supported by a dedicated Major Projects Office (MPMO), part of the Project Governance directorate. Major projects are, by definition, high value and complex programmes that carry significant project delivery and reputational risks if not effectively managed. There are currently three major projects in delivery (Museum of London enabling works, Salisbury Square Development and, the Markets Co-location Programme) and a potential further two major projects in development (Barbican Renewal and the Guildhall Masterplan).

5. Given the importance of ensuring effective project delivery, it was therefore considered essential to carry out a comprehensive review in order to recommend a new industry standard/best practice approach.

Current Position

Approach to the review:

6. The review was split into distinct phases:

Phase	Timeframe	Area of focus
Phase 1	Dec 22 – Feb 23	Independent external review and validation of internal observations
Phase 2	Mar 23 – May 23	Design of new approach based on recommendations from Phase 1

7. Please note the timelines above differ from those set out in the original report to OPPs and P&R in late 2022 due to a delay with the commissioning process, capacity issues within the Project Governance division and the change to the terms of reference scope and the subsequent need to align formal reporting to Members with the independent work on Member governance.

8. In order to manage capacity whilst the review was underway, OPPs approved temporary changes including; a temporary delegation of £1m to trained[1] Chief Officers and nominated directors; descoping of routine procurements and, the continuation of the interim leadership arrangements for the Project Governance division.

Findings of the review:

9. RedQuadrant (RQ), a consultancy company, was commissioned to undertake the review in order to ensure objectivity, to draw on industry standards and identify best practice from other comparable organisations. The review included desktop analysis of relevant Corporation policies, review of project reports, key documentation, project system and risk register supported by 121s and workshops with key officers from across the Corporation and a survey focussed on skills and capability.

10. RedQuadrant's summative report is provided in full as Appendix 1. A summary of their findings is set out in the table below. Please note that much of the narrative set out in the table below has been taken verbatim from their report.

RQ findings	How this affects COL effective project delivery
Low thresholds	Inefficient and often includes operational business as usual activity
Unsuitable definition of a 'project'	The existing definition of a 'project' as anything that results in 'tangible physical deliverables' suffers from being simultaneously too wide (since e.g., procurement activities end up defined as 'projects') and too narrow (since resource based or change projects do not meet this definition of 'project')
A fragmented portfolio	There is no central location which oversees all projects within the City or that allocates effort and resources according to Corporation priorities. Project proposals which don't meet the existing definition of 'project' may

[1] officers were required to complete specially commissioned Senior Responsible Officer (SRO) training in order to make use of the delegation.

	thereby go unfunded or underfunded (despite meeting Corporation priorities). Alternatively, they may end up funded piecemeal without oversight, which risks accumulating hard-to-track expenditures for projects that do not meet Corporation priorities.
Lack of clarity on project roles and responsibilities	Across the Corporation, there is an inconsistency in how key project roles are established, as well as a lack of understanding regarding the purpose of such roles.
Assurance/risk management	The greater the proportion of decisions put to the Committee, the greater the proportion of Committee time spent on operational issues and approving minor expenses. This in turn severely decreases the amount of time available to focus on the kind of strategic issues and oversight of risks.
Budget allocation and drawdown	Delegation to Project Managers is minimal. They must seek Committee approval to access (already approved) project budgets, even for low-value sums. They cannot move project funding across workstreams, within the same project, without seeking Committee approval first. Project Managers experience these restrictions as disabling, as a barrier to effective and agile management of operational risks. The status quo frustrates Project Managers even as it exhausts the Committee.
Strategy and vision	There are inadequate or inconsistent processes in place for project selection, prioritisation, and resource allocation. There is an overly broad definition of ‘project’ and no clear and consistent framework for ensuring that there is distinction between programmes and projects, and that these are systematically prioritised to deliver the greatest benefits against strategic objectives
Governance and oversight	Governance responsibilities are disproportionately placed with Members rather than Officers. The limited delegation to Officers, coupled with a lack of clarity on project roles and responsibilities, has led to projects requiring additional oversight to compensate. This is a vicious cycle, which leaves Officers without the necessary powers, and Members without the necessary time, to do their respective jobs effectively.
Management and capability	The Corporation requires a deeper understanding of best practices for project and programme management, and to develop capability and skills particularly in the latter. This lack of consistency in the way that projects are managed, as well as to limited or unclear processes for project and programme governance, risk and assurance and benefits management is further exacerbating the issues identified.

11. These findings were not unexpected and validated the decision by OPPs to undertake a review into existing arrangements. The findings built on observations set out in a number of previous reviews including:
    - The review of Corporation governance undertaken by Lord Lisvane recommendations
    - Internal audit reviews - a series of reviews carried out across 2021 and 2022 by Internal Audit to examine the adequacy and effectiveness of governance arrangements in place across the City Corporation's portfolio of Major Programmes
    - Maturity assessment carried out by the Chief Operating Officer in September 2021 and validated by the assessment of the acting Project Governance Director in May 2022.

12. Other significant issues that have been identified by officers involved in project delivery include:

    - Ambiguity regarding governance in early stages for potential major projects with limited established governance for feasibility and business case development.
    - Focus on capital delivery with limited view of wider project outcomes and interdependencies
    - Concerns regarding resourcing of projects, insufficient capacity included as part of project initiation process.

13. A recurring issue that has arisen during conversations with both officers and Members, is the insufficient assessment of required capacity as part of the project initiation process including, not only, dedicated project delivery resources but capacity required from key corporate services such as finance, procurement and legal services. A strengthened focus on business case development will help to address this issue.

Response to the review:

14. It is clear that the Corporation's current approach is inadequate and does not live up to the scale of Members' ambitions. As a leader of industry and a public sector body, it is important that our operations and business practices are fit for purpose and deliver best value. Issues regarding organisational project management capability and capacity have also been identified as key risk on the Corporation's risk register (CR33). It is important that these issues are now addressed and not allowed to persist.

15. The remainder of this report will set out the recommended approach, and investment required, to deliver an effective portfolio management approach across the Corporation. Whilst we have needed to undertake comprehensive design work to turn the RedQuadrant recommendations into a proposed model, we have also taken the opportunity to implement immediate changes to maximise quick wins and to create testbeds for more fundamental changes. This proactive approach has already begun to deliver benefits and has ensured that no momentum has been lost following the review stage. The improvements implemented include:

- The development of a Senior Responsible Officer (SRO) agreement document based on central government standards. This has been prototyped with the appointment, by Members, of the Chief Operating Officer as the Markets Co-location Programme SRO
- The introduction of a monthly major programmes dashboard reported to Capital Buildings Board (and on a quarterly basis to Policy & Resources Committee)
- Closer working between the Corporate PMO and the MPMO to build greater resilience across the now combined teams
- Additional training for MPMO analysts on Portfolio, Programme and Project Management (P3O).
- The appointment of a Future Police Estate Portfolio Manager to begin developing a strategic portfolio that brings together all the critical projects and programmes across COL and COLP that are central to the successful delivery of new police accommodation
- The commencement of the Chamberlain's finance transformation programme with a specific focus on improving the capital finance processes and decoupling project governance from financial controls

Options

16. *Option 1 - Do nothing* – the Corporation could continue with the status quo and accept the limitations and risks this presents. This option requires no additional investment. **Not recommended.**

17. *Option 2 - Limited review of the Project Procedure* – the Corporation could update the Project Procedure in order to review current thresholds to bring greater proportionality to the existing approach. This would address a limited number of issues identified in the review but not introduce a portfolio management approach. Significant risks regarding strategic alignment of investment with priorities, lack of capacity and capability to deliver projects, fragmented oversight of the total portfolio and, a lack of strategic focus for Member oversight would continue. Limited additional capacity may be required to deliver this option given that the lack of resilience across the PMOs would continue. **Not recommended.**

18. *Option 3 - Limited review of the Project Procedure and increase in capacity in the PMO/MPMO* - This option builds on the previous one by attempting to increase the capacity and resilience in the PMO combined team. This would require some investment to right-size the team but would not address the issues regarding the fragmentation of the portfolio and the lack of coherent governance for major projects whilst in the early stages of feasibility. It would not address issues regarding assurance, Member strategic oversight or the alignment of investment with priorities. **Not recommended.**

19. *Option 4 - Adopt a portfolio management approach* - agree and implement the model set out in Appendix 2. This option would deliver significant improvements and provide greater assurance regarding the Corporation's ability to deliver its priorities. This option requires both short-term investment to support implementation and long-term investment to increase capacity and capability

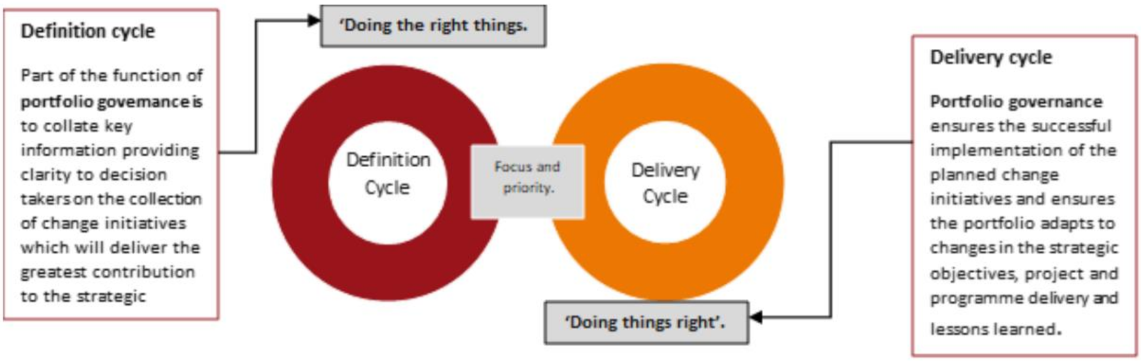
across the Corporation. **This option is recommended** and further options are provided below regarding the level of investment required.

- Option 4A – deliver the proposed changes (as set out in Appendix 2) within existing resources and limit ambitions to get to 'better' (highest level of maturity against the IPA model) in only three of the seven themes. This would not require additional capacity to deliver but would significantly impact the ability to deliver the changes at pace. It is likely that the timeline set out in the implementation plan would need to be adjusted to at least a five year timeline. External resources would still be required to support the system developments and the refresh of the PMA Academy, therefore this option includes an investment of c. £65,000 plus ongoing operational costs.
- Option 4B - deliver the proposed changes (as set out in Appendix 2) and engage interim project support to implement the changes. This would establish strong foundations and significant changes in year one and deliver sustainable improvements over a further two-year period. This requires additional capacity to deliver, and it is proposed to engage an interim project manager and PMO analyst for a period of 6 months to support the programme and ensure continued alignment with work in the Chamberlain's department. An outline implementation plan has been included as Appendix 3. This approach includes additional anticipated costs of £160,000. **This option is recommended.**

Proposals for the adoption of option 4

20. RedQuadrant recommended a comprehensive overhaul of the Corporation approach. At the core of the recommendations is the implementation of a Portfolio Management Framework, which consists of two portfolio management cycles: portfolio definition (structures and functions) and portfolio delivery (good governance for project and programme delivery). This Framework can be applied to the totality of the Corporation's portfolio including both capital and revenue projects of any size.

21. The framework can be described using two phrases:
    - **'*Doing the right things'*** – alignment with strategic objectives, allocation of resources in line with investment priorities and, management of benefits to deliver intended outcomes
    - ***'Doing things right'*** – effective governance and project management framework ensuring excellence in delivery



22. There are two major forms of change being proposed for the current projects ecosystem:
    - Changes to supporting structures and functions: The introduction of a Portfolio Board, repositioning of existing resources to establish an Enterprise Portfolio Management Office, EPMO, (fully resourced), and clarification of roles and responsibilities across different stages of project delivery.
    - Procedural changes: Changes to processes related to finance and risk management, definition, categorisation, tiering, reporting, roles and responsibilities, toolkits with standardised templates such as updated Business Cases based on industry best practice, systems, and a new gateway assurance process.

23. The proposals set out in this report have been developed to support Elected Members in their role as strategic leaders by providing greater assurance regarding the policies, processes and procedures that will underpin effective project delivery. The proposals also bring a renewed focus on developing the internal capabilities within the Corporation to provide Members with confidence in the ability of officers to deliver successfully.

24. It is important to note that a Portfolio Management Framework is more than the adoption of a new delivery standard. It is a total transformation that requires a change in culture, mindset, and processes across the organisation. Whilst the proposal to adopt a portfolio management framework is considered to be the right direction of travel for the organisation, it is essential to recognise the substantial gaps that need to be addressed before embarking on this journey fully. The proposed approach to change management is set out in Appendix 5 of this report.

25. A detailed account of the proposed model is set out in Appendix 2. A summary of the key proposals is provided below.

<u>Definition</u>

26. We will establish a clear definition of a project, programme and, portfolio and how these differ from business as usual operational activity. The proposed definitions are in line with industry standards:

	What is it?	***How is it managed?***
Project	*A series of tasks which need to be completed to achieve a*	*Project management uses processes, methods and*

	specific outcome, requiring a set of inputs and outputs to reach a particular goal. *(A project isn't something that is part of normal business operations (BAU))*	*training, together with knowledge and skills of the project manager and team, to coordinate and deliver the required outputs*
Programme	*Programmes are a group of related and interdependent projects and change management activities that will deliver beneficial change*	*Programme management involves managing interdependencies across projects, prioritising and budgeting, and ensuring resource capacity and capability across the programme.*
Portfolio	*The aggregation of projects and programmes within an organisation aligned to strategic priorities*	*Portfolio management includes the selection, prioritisation and control of projects and programmes which are aligned with the organisation's strategy and objectives.*
Business As Usual (BAU)	*Activity that is part of normal day-to-day operations and all activity with a total value of less than £250k*	*Operational management is the management of those activities that create the core services or products provided by an organisation.*

Thresholds

27. It is proposed to set a minimum threshold of £250k for corporate projects. This is in line with existing thresholds for ring-fenced funding. This will mean activity below this value will usually be managed through operational management processes in line with the financial scheme of delegation. However, it is important to note that the proposals move away from tiering projects on value alone and therefore some activity below £250k may be subject to project governance dependent on the outcome of the tiering process.

28. All projects will be assessed against three different tiering categories; tier 3 – routine projects, tier 2 - strategic and, tier 1 - complex projects. The proposed financial thresholds will be supported by an assessment of risk and complexity in order to agree the final tiering of each project. A summary of the key factors that will be used to assess the tiering of each project is provided in the following table:

Routine	✓ Low value (£250k-£2m) ✓ Aligns to strategic outcomes ✓ Clearly defined delivery approach ✓ Requires little innovation ✓ Minimal impact on people
Strategic	✓ Mid value (£2m-£20m)

	✓ Contributes to strategic outcomes ✓ Some uncertainty exists ✓ Requires some technical innovation ✓ Moderate impact on people
Complex	✓ high value (£20m+) ✓ delivers strategic outcomes ✓ complex to deliver ✓ high levels of uncertainty ✓ requires new or innovative practice ✓ significant impact on people

29. It is recognised that major capital infrastructure projects (likely to be in excess of £100m total project value), may require focussed scrutiny, strategic oversight of project delivery and, alternative methods of financing. Therefore, it is proposed to create a sub-set of tier 1 projects, referred to here as tier 0. The project and programme management requirements, as well as criteria for tiering, remain the same as the rest of the tier 1 (complex) projects, however, governance arrangements may differ, particularly if special purpose vehicles are developed.

Portfolio Board

30. Introduce a Town Clerk-led Portfolio Board to provide collective Chief Officer responsibility of the corporate portfolio and to act as an effective gateway for member governance. This would require the increase of the level of officer delegations from the £1m temporary delegation to £5m for trained tier 1 SROs and the Town Clerk. This proposal would be supported by a robust assurance framework that ensures risks are effectively managed and that projects are escalated to Members through the early identification of potential performance issues. The Portfolio Board will be supported by a sub-group led by the Chamberlain focussed on co-ordinating affordability considerations, financial risk considerations, assessing impact on the Medium Term Financial Plan and advising on prioritisation in order to ensure financial sustainability.

PPM framework

31. Introduce clear requirements for all project and programme management activity including defined project roles and required project documentation. This would be driven by the proposed Centre of Excellence and underpinned through a comprehensive learning and development offer.

Refreshed Project Management Academy (PMA)

32. The findings of the capability survey (please see Appendix 5) found that whilst we have strengths in project management capability this is not distributed across the Corporation and we lack capabilities in programme and portfolio management. Therefore, it is proposed to update the PMA to address these areas and to identify priority learners to complete training. This would include a mandatory induction for anyone involved in project delivery including consultants and interims.

Introduce an Enterprise Portfolio Management Office (EPMO)

33. Establish a professional and well-resourced team to support the development of the portfolio management approach, to provide challenge and assurance to

support effective project delivery, to set the standards for PPM throughout the Corporation and, to provide leadership of the wider PPM community. See paragraphs 42-50 for more detail.

What would this mean for the Corporation's project portfolio?

34. There are currently 355 projects on the corporate project system. Following an initial review, it is estimated that roughly 50% of these projects should be reviewed further as they are nearing closure or have been inactive for a significant period of time, and therefore should be closed and any remaining resources reallocated. It is important to note that this assessment has been undertaken by the PMO and may differ from the recommendations of individual project managers. This is due, in part, to the fact that services are not incentivised to close projects that have stalled, and, in the absence of a robust portfolio assurance framework, these projects have been allowed to drift. Therefore, it is anticipated that once we have implemented an effective portfolio management framework, supported by a well-resourced EPMO, challenge sessions can be held to review those projects that have been dormant for a significant period of time. This has the potential to reduce the size of our future corporate portfolio to around 200 projects (including the existing major programmes and future business change projects).

35. Under the new proposals activity under £250k will largely be descoped from project governance. There are currently 45 projects under this threshold. These 'projects' include activity such as:
    - Installation of car park and other signage at the Barbican
    - Refurbishment of the Guildhall Art Gallery cloakroom and toilets
    - Installation of water drinking foundations

36. In addition routine procurement activity (such as the leasing of 16 new Steinway pianos for Guildhall School of Music and Drama) is also currently subject to the Project Procedure. It is considered that the types of activity listed above is low risk and best managed through procurement governance at service level supported by robust operational procedures.

Breakdown of future portfolio:

37. Removing low value and BAU activity, leaves a potential corporate portfolio with a total value of c. £1bn plus the existing major programmes and the pipeline of transformation projects (yet to be identified).

38. The breakdown of the remaining portfolio is provided below. Please note that the validation of data held in the system and reconciliation with Oracle will be a priority for the first phase of implementation.

Tier	No. of projects	Total value (m)	Examples of projects in tier
Tier 3 - routine	61	£53.63	- Guildhall Event Chairs

			- Tower Hill coach and car park LED lighting - Windows and Common Parts Redecorations Programme - Windsor House
Tier 2 - strategic	54	£385.4	- GSMD/Barbican heating, cooling and ventilation - Blackfriars bridge parapet replacement and repainting - Candlewick House, 116-126, Cannon Street, EC4 (IPG)
Tier 1 – Complex	8*	£602.3*	- Refurbishment of Electra House, 84 Moorgate, EC2 Bridge House Estates (IPG) - York Way Estate Housing Delivery Programme

*The figures provided in this table, exclude the major programmes. With the addition of the major programmes, tier 1 increases to 11 live projects (with 2 in the pipeline), with a total value of c. £2.1bn. Under the proposed model, Members will have direct visibility and strategic oversight of that £2.1bn which represents roughly 80% of the overall corporate portfolio value.

39. The new approach will bring about a cohesive view of the Corporation's total project portfolio aligned around strategic priorities. This should remove the risks associated with the existing fragmented portfolio and remove any ambiguity regarding appropriate project governance. It will also create clear and measurable pathways from ideation through to delivery and, drive an enhanced focus on business case development ensuring focus on strategic alignment and prioritisation.

40. Currently, corporate projects are split into nominal tiers that determines the extent of the required project documentation. All projects have to go to committee for consideration regardless of the value (though there is currently some streamlining for light/regular projects which means gateways 3, 4 and 5 may be expedited). Complex/regular projects over £5m have to go to Court of Common Council for approval. There currently is little proportionality built into the governance framework and strategic priorities risk being lost amidst the sheer volume of member reporting.

41. The proposed approach will result in all tier 1 projects being subject to Member-level governance, with challenge and scrutiny of lower tiers being led by officers and escalated to Members by exception.

What will this mean in practice?

42. The following statements have been developed to illustrate what the intended outcomes are for different stakeholders. These statements will be used to develop the qualitative measures for assessing the success of our transformed approach:

	We…
Elected Members	• Are able to focus on strategic priorities and provide oversight for the most complex projects/programmes • Have visibility across the entire corporate project portfolio and understand the impact of this activity • Are confident that we have the appropriate capacity and capability to deliver the ambitions of the Corporation • Are confident that any potential issues or risks will be picked up by the corporate assurance framework and brought to Members with potential solutions identified
Chief Officers	• Support Elected Members to provide strategic oversight and challenge across the Corporation's portfolio • Empower and enable capable team members to do their jobs well • Challenge each other to ensure investment aligns with priorities across departmental boundaries • Proactively manage risks and identify solutions to emerging challenges
Staff	• Are clear of our responsibilities in relation to managing projects and programmes • Are trusted to use our skills and experiences to do our jobs well • Have access to the tools, guidance, support and training needed to do our jobs • Understand the Corporation's governance processes and feel that the organisation's procedures make it easier to get things done
Public/ residents	• Are confident the Corporation's project activity is well managed and represents value for money • Have visibility of the impact of public spending
Internal and external audit	• Are able to take assurance from the work of the EPMO • Can rely on the consistent application of agreed and robust governance arrangements for delivery of projects • Have access to appropriate metrics to identify exceptions/poor compliance/potential project failure enabling targeted audit work to be initiated.

Organisational structure

43. As aforementioned, the Corporation's project governance processes are currently supported by two separate Project Management Offices that were brought together in May 2022 as a result of the TOM.

- The Corporate Project Management Office (PMO) – responsible for the Project Procedure (aka gateway process), chairing the Corporate Projects Board and, supporting projects through the corporate governance and in to OPPs. This team is made up of two full-time equivalents (FTE) and is responsible for facilitating the successful delivery of 355 projects.

- The Major Projects Management Office (MPMO) – responsible for supporting the major projects portfolio (c. £1.5bn total value). This team supports the Capital Buildings Board and provides project support to all programmes. This team is made up of three FTE.

Current PMO and MPMO responsibilities

44. Due to the limited capacity within the teams, the primary focus of both teams is supporting project/programme leads to navigate the Corporation's governance and ensuring quality of reports presented to Members. There is also a significant amount of time dedicated to helping projects to engage with the capital finance process and to unblock payment issues.

45. The profile of time spent now and what it should look like in the future is set out in the table below:

Activity	Corporate PMO % time spent	MPMO % time spent	Future (EPMO) % time spent
Payments and invoicing	5	30	5
Project admin	5	20	5
Governance	75	15	10
Risk management	5	10	35
Progress reporting	10	25	10
Project assurance	0	0	35

A new integrated Commercial, Change and Portfolio Delivery division

46. Since April 2022 the Commercial Director has also fulfilled the role of acting Project Governance Director following the exit of the former Project Governance Director through the TOM process. This arrangement has helped identify and confirm benefits of integrating the two teams for the long-term and the teams will now be merged as an officer-level reorganisation to realise significant synergies between the function and responsibilities of the two service areas:
    - The proposed changes to the Project Procedure (through the clearer definition of BAU), will result in less activity through project governance that will instead be picked up and managed through procurement governance.
    - Integration provides greater assurance against the risk of activity being descoped from projects and not being picked up by procurement governance.
    - The challenges faced by the two current teams in terms of developing more customer-focussed enabling functions are similar and many of the key stakeholders are shared.
    - An integrated model represents better value for money as there is the opportunity to share a single director role and resources in areas such as data and analytics. There is also the potential to bring a far greater focus on understanding and communicating the impact of the Corporation's investments in a more radical and transformative way.

- The integrated service is better placed to articulate, champion and measure societal and environmental impact across contractual and project-related investments.

Developing the portfolio management office

47. Best practice suggests that for a portfolio of circa 200 projects, 10-12 posts would be needed to properly administer and support this and the cost should represent roughly 3-5% of total financial investment. The proposed approach seeks to develop best value by integrating two existing divisions in order to share resource wherever possible.

48. Within the new model, the team will be working as the professional leaders of portfolio, programme and project management providing guidance, challenge and assurance to enable excellence in project management. The new Enterprise Portfolio Management Office (EPMO) will include the following functions:
    - Developing a Centre of Excellence – a central hub setting the professional standards, capability, guidance, tools and templates for the Corporation
    - Portfolio management – reporting, risk management, assurance checks
    - PMO – project delivery support, project governance
    - Benefits realisation – social value, benefits management

49. It is anticipated that the establishment for the new Division can be contained within the cost envelope available through existing local risk provision and project related funding on central risk. If this approach is supported by Members, detailed design of the structure will be progressed. Consultation with staff will be carried out as appropriate and if necessary, approval for specific roles will be sought from the Corporate Services Committee in line with corporate policies.

50. In addition to the core team, it is proposed to develop a resource pool of professional project managers that can be deployed to support corporate priorities. Instances when it may be appropriate to draw on resources from the corporate pool may be when departments who do not regularly undertake projects require support to move from ideation to delivery or where, through the assurance framework, it is identified that there are significant issues with an existing project and additional capacity and/or corporate intervention is recommended as a solution.

51. The project managers in the resource pool will also be responsible for supporting the development of internal capabilities by taking on coaching roles and delivering learning opportunities. It is proposed to test this model for the first 18 months with three Corporate Project Managers to establish the working practices, develop criteria for deployment and to understand the potential return on investment in order to develop the business case for the longer-term development of the pool. The cost of the resource pool for one year is estimated to be £225,000 based on three grade F posts including oncosts.

Approach to implementation

Benchmarking our maturity

52. We have undertaken an assessment of our portfolio maturity against the government project delivery professional standard. The Corporation scores as 'in development', the lowest level of maturity across all seven themes set out in the standard. The proposals set out in this report (and the associated appendices), are designed to ensure we progress against all elements of the standard. It is important to acknowledge that the implementation plan set out is designed to develop sustainable improvements. Therefore, this is a long-term plan based on a comprehensive redesign supported by incremental and continual improvement. Our progress against the maturity model will be regularly monitored to ensure the intended benefits are delivered.

53. The graph below illustrates Corporation maturity now and maps out plans for development over the next three years.

54. As shown in the table, the priority areas of focus, for year one (set out in the attached implementation plan), are: governance and project delivery; leadership and capability and; programme and project management. The overall aim is to get to best in class across all themes by the end of year three which is considered an appropriate maturity level to reach given the size and scope of our activity.

Standard Theme	Now	12 months	24 months	36 months
Governance and project delivery	In development	Better	Best	Best

Leadership and capability	In development	Better	Best	Best
Portfolio management	In development	Good	Better	Best
Programme and project management	In development	Better	Best	Best
Planning and control	In development	Good	Better	Best
Finance and commercial	In development	Good	Better	Best
Solution delivery	In development	Good	Better	Best

Phased implementation

55. It is proposed to take a phased approach to implementation with phase one changes aiming to go live in Jan 2024.The priorities for the first phase include:
    - Data integrity and validation (cleansing of data held in the project system and reconciliation with Oracle)
    - Upgrade of project management system
    - Establishment of EPMO and internal reorganisation
    - Detailed design and business process mapping
    - Updates to the Project Procedure
    - Updates to associated policies and procedures
    - Health checks on tier 1 projects
    - Transition of tier 1 projects to new model

Further details are included in Appendix 3.

56. In order to manage priorities whilst these changes are being implemented it is proposed to make permanent, the temporary measures approved previously by OPPs, namely the delegation to (approved and trained) Officers to approve project-related decisions up to £1m for corporate projects and to descope routine procurements from the Project Procedure. It is proposed to seek delegation to officers to make tactical changes to the Procedure to improve decision making in the interim.

Investment required

57. The creation of the new division can be achieved within budgets that already exist on central and local risk. The intention is to combine these budgets and use the that to fund the new structure. However, as set out in the implementation options, in order to deliver the scale and pace of change needed, a one-off investment of £225k is required. Additionally, it is recommended that a corporate project management resource pool is developed to provide professional corporate support and intervention where required. This is proposed as a more cost effective model in comparison to

interim resources where day rates are likely to be high (£700 per day and above). The internal resource pool will also better support the development of internal knowledge and capabilities.

58. A summary of the investment required as a result of the proposals set out in this paper is provided below:

Investment	Cost	Type
Portfolio management implementation plan	£225k	One-off
Sub-total	£225k	
Establishment of the new Commercial, Change and Portfolio Delivery division – core budget	No additional investment required	Ongoing
Corporate project management resource pool	£225k	Ongoing
Annual operating budget (includes licenses, training, system maintenance)	£100k	Ongoing
Sub-total	325k	
GRAND TOTAL	**£550k**	

Managing the change

59. Effective change management will be key to ensure that the changes set out in this report are achieved. This is a corporate wide change and whilst it will be led by the COO department, it is important that all parts of the Corporation buy-in to the changes and develop a sense of ownership of these proposals. The benefits set out will improve the working experiences for all Corporation staff including those in our institutions and should help to make it easier to navigate corporate governance and processes.

60. The proposals include the strengthening and formalising of existing networks who will take a lead role in continuing to refine the proposals and implementing them. The key networks will include:

- Project and Programme Management Community of Practice – a virtual network of all officers across the Corporation involved in the delivery of projects and programmes. The network will provide a forum to share best practice, to seek peer support, to disseminate information and share learning opportunities.
- Change Champions - a network of change agents from across the Corporation sharing best practice, knowledge and learning.

61. Appendix 5 provides a summary of the intended change management approach.

Measuring our success

62. Assessment of progress against the project delivery standard (as set out in paragraphs 53-54) will be used to measure improvements and to assess whether the Corporation is developing at the pace required. The qualitative outcome statements (set out in paragraph 42) will also be used in order to measure the impact of change on particular stakeholder groups. In addition the existing Project Governance division business plan identifies the following targets which we will aim to achieve in the first phase of the implementation plan (Q4 23/24).

#	KPI	Current Perform-ance	Direction of Travel/ Target
1	Programme health check carried out on all major projects	New measure	100%
2	Named SRO on all major projects and high value corporate projects	New measure	100%
3	% of SROs who have completed SRO training	New measure	100%
4	% of dedicated PMs who have completed requisite training	New measure	tbc

Key data

63. The Corporation has a project portfolio of over £2bn. This is currently split into corporate and major projects with limited oversight over the impact and delivery of the entire portfolio. There are 355 corporate projects, three major projects and two additional pipeline projects. No coherent corporate governance exists to manage business change activity and therefore it is unknown how many strategic transformation projects are taking place or the quantum of investment in this type of activity.

Corporate & Strategic Implications

64. Strategic implications – The Corporation's strategic priorities are achieved through the successful delivery of corporate and major projects. The proposals set out will provide assurance of the Corporation's approach and ensure alignment with strategic priorities.

65. Financial implications – The proposals set out in this report will help to greater assurance regarding the value for money of project delivery. The strengthening of the approach to the development of business cases and introduction of greater rigour in regard to project forecasting will inform considerations regarding the affordability of the capital programme. Moving to industry standards and evidencing increased

corporation maturity in portfolio management, will be important to support any alternative means of financing including the set-up of special purpose vehicles or joint ventures.

66. Resource implications – the proposals set out will require a focus on training and development for everyone involved in delivering projects across the Corporation. Proposals for the development of the Project Management Academy are set out in Appendix 2 and the approach to staff engagement is set out in Appendix 5. The proposals for the integration of the Commercial and Project Governance divisions will be managed in line with corporate HR policies and will include engagement with all affected individuals. It is not anticipated that the integration of the two teams will lead to any adverse implications for staff members. An equalities impact assessment will be conducted on the proposals for the new structure.

67. Legal implications – none.

68. Risk implications – the approach set out in this paper is intended to support a more effective and consistent approach to risk management across all projects. The proposals are underpinned by the development of a robust assurance framework aligned to the internal audit approach. The proposals set out also seek to directly address the existing corporate risk - CR33.

69. Equalities implications – An initial equality analysis test of relevance has been undertaken and has shown no negative implications associated with the proposals set out in this report. The proposals are intended to ensure that consideration of equalities implications are embedded in our project and programme management approach and all new guidance and templates will be developed in consultation with the Equalities team.

70. Climate implications – none.

71. Security implications – none.

Conclusion

72. Our current approach puts our ambition at risk. The Corporation has a generational opportunity to make a real and lasting difference in the Capital and beyond, but this requires us to think differently and to invest in developing the professionalism and capabilities needed to deliver.

Appendices

- Appendix 1 – RedQuadrant summative report
- Appendix 2 – outline project governance framework
- Appendix 3 – proposed implementation plan
- Appendix 4 – RedQuadrant capability survey finding
- Appendix 5 – approach to change management

- Appendix 6 – case studies highlighting challenges with existing governance approach

Background Papers

Project Governance Review OPPs (cityoflondon.gov.uk)

Genine Whitehorne
Commercial Director and acting Project Governance Director

T: 07749 402140
E: genine.whitehorne@cityoflondon.gov.uk