

Committee(s): Audit and Risk Management Committee	Dated: 05 October 2021
Subject: Deep Dive: CR33 Major Capital Schemes	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	N/A
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	N/A
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Town Clerk and City Surveyor	For Information
Report author: Matthew Pitt, City Surveyor's Department	

Summary

This report sets out the context surrounding Corporate Risk 33 (CR33) – Major Capital schemes and the progress made to date against mitigating actions. Since its introduction to the Corporate Risk Register this has the risk has been actively managed and has reduced to its current score of 12 from an opening risk score of 24. This reduction reflects the significant progress in delivering the key mitigating actions which include: -

- The creation of a multidisciplinary, cross organisational PMO capability
- The development and successful implementation and regular review of portfolio level reporting tools;
- The creation of performance indicator document to track the benefits of each scheme through their lifecycle;
- The development of a standard approach to Optimism Bias modelling; and
- The development of financial modelling capability.

Further progress against these actions is anticipated over Q2/3 of 2021 with a target risk date of 31 October set to further reduce the risk level to 8.

The risk is owned by the Projects Governance Director and the City Surveyor with two actions being the responsibility of the Chamberlain.

Recommendation(s)

Members are asked to:

- Note the progress made to date in mitigating CR33; and

- Note that whilst some residual level of risk is expected to remain beyond 31 October 2021 – the focus of this risk will shift to management and monitoring rather than the current reduction strategy from this point; and
- Note that the Executive Leadership Board (ELB) will be reviewing all the Corporate risks in October. This may lead to a change in the focus of the Major Programmes Risk.

Main Report

Background

1. The City of London Corporation is currently engaged in three major capital schemes – defined by the City of London Corporation as those in excess of £100m in total estimated project cost. These are the Markets Co-Location Programme, the Museum of London's move to West Smithfield and the Salisbury Square Development. The main new Museum Programme is managed directly by the Museum of London with the City having sole responsibility for management of the Landlord's Works.
2. A summary of the three programmes, their agreed funding envelopes or estimated project costs and planned completion dates is included below: -

Programme	Est. Project Cost / Approved Budget Envelope (£m)	Completion
Salisbury Square Development	596	Q4 2025/Q1 2026
Museum of London	529*	Q2 2025
Markets Co-Location	693	Q3 2026

*£192m Directly Managed Landlord Works – £337m Museum of London Works managed by the Museum of London

Governance & Reporting

3. The governance around the Major Programmes provides significant assurance that this risk is being managed effectively and is a key factor in the reduction from the original risk score to its current level. Each programme has its own governance, and this varies depending on the stage of each project. In 2019 the Court of Common Council established the Capital Buildings Committee to oversee the delivery of approved major projects and programmes over £100m in value – this currently applies to the Museum of London and Salisbury Square Development. Both of these committees have funding envelopes approved by the Court.
4. The Markets Co-Location Programme reports to the Policy and Resources Committee which is shortly to consider its business case and the Markets Committee. Once a budget envelope is approved by the Court, this too is expected to the Capital Buildings Committee.
5. Reporting for Major Programmes to the Capital Buildings Committee broadly follows the RIBA Work Plan, a specific project and programme management methodology applied to building programmes, rather than the Gateway Process with major approvals taking place at the beginning/end of each stage to progress

forwards i.e. 'Start of Stage 2, 3, 4 etc. The RIBA Work Plan whilst specific to the lifecycle of designing, building and operating new buildings can be considered to follow Agile Project Management principles as it involves constant collaboration, it's iterative, works are planned and carried out in clearly defined stages and allows programmes to move forward at pace.

CR33 Risk Event and Consequences

6. The risk event – 'that there is insufficient technical and professional capability and resource to effectively deliver the schemes' recognises the challenges and complexities of delivering these schemes concurrently and within the same relatively short period of time. This is an ambitious portfolio of programmes and the first time in recent history that the organisation has needed to manage more than one very large programme at the same time. If the risk were to materialise then it could have serious consequences for then ability of the organisation to deliver the programmes on time and within budget with the chance of it impacting on wider corporate finances.

Update on Key controls and actions

PMO Capability

7. Good progress has been made since the creation of the Major Programmes Office (MPO) in recruiting experienced and capable post holders to increase both the capacity and capability of the organisation to effectively manage the Major Programmes. Below is a list of post positions regularly engaged full time in supporting the programmes and portfolio level management of risks and opportunities: -
 - Head of Major Programmes Office
 - PMO Analysts x 2
 - Major Programmes Senior Accountant
 - Major Programmes Procurement Lead (Senior Category Manager)
 - Major Programmes Stakeholder and Communications Lead
8. The embedding of the finance, procurement, and communications lead roles within the MPO has enabled close and collaborative working across the organisation with the individuals effectively linking 'home' departments with the MPO and each programme.
9. Consultation is currently underway with the Chamberlain's Department as how to further improve the financial support for the programme going forward utilising existing budget.

Development of Portfolio Level Reporting Tools

10. A series of portfolio level reporting tools which includes monthly Dashboards, Combined Programme, Combined Risk Register and Report Tracker have been created. These tools are used for the regular monitoring of programmes, tracking interdependencies and risk movement.
11. These documents are compiled, analysed and reviewed monthly at Major Programmes Assurance meetings attended by the Projects Governance Director, City Surveyor and senior representatives of the Chamberlain's Department.

12. The creation of these tools and the governance around them has provided an additional benefit. Directors of all Major Programmes meet regularly in addition to informal interactions to share information, troubleshoot their own programmes, discuss portfolio level concerns such as inflation, materials shortages etc. and explore opportunities that may exist for the organisation to exploit because of having three major programmes running concurrently. For example, i.e. spoil removal to another site, temporary storage of materials and procurement strategies.
13. The tools have been well received, in particular the programme level Dashboard where other non-major programmes across the organisation have expressed an interest in rolling out on their projects and programmes.

Creation of KPIs to Track Benefits

14. Good progress has been made against this action with the key documents now developed. Utilising information within the planning documents such as the Environmental Impact Assessment from each Major Programme key performance measures have been pulled out, which, over time can be used to track whether or not each scheme is delivering against its targets. These measures include climate action, employment and number of apprenticeships.
15. In addition to the tracking document which will be reviewed against the baseline target each quarter. A series of dashboards has been created for each programme to assist the clear communication of the benefits each programme provides.

Optimism Bias Modelling

16. Two of the Major Programmes, the Salisbury Square Development and Museum of London Programme currently have an Optimism Bias – effectively a contingency to compensate for programme and project professionals cognitive bias that their scheme will not experience negative events. It is an approach applied within the HM Treasury Green Book and one for which extensive guidance is available as to how to apply it to different types of programme i.e Construction, Civil Engineering, Equipment/Development and Outsourcing.
17. A modelling tool has been developed by the Chamberlain to allow the organisation to model optimism bias use. This follows the supplementary Green Book guidance for Building Projects. The tool is used at review sessions, to explore whether the level of optimism bias on respective programmes remains at an appropriate level against the stage of the programme and level of outstanding risk.
18. The tool can be used by any City of London Corporation Project or Programme which uses optimism bias and is not specific to any one programme. At present two programmes are using the tool but should the Markets Co-Location business case and budget envelope be approved by the Court of Common Council with an Optimism Bias, it will use the same standard approach.

Financial Modelling Capability

19. The Chamberlain has acted to boost the financial modelling capabilities of the organisation through the recruitment of two experienced contractors within the Strategic Finance Unit.
20. Using this increased capability, good progress has been made for example in building a dynamic model for the Markets Co-Location Programme as it builds its business case both for Members and Homes England.
21. A further review on how to further increase and embed this capability for Major Programmes together with broader support for the Major Programmes is currently underway.

Risk Direction of Travel, Next Steps and Ongoing Audit

22. Since its creation the progress on the mitigating actions listed above has resulted in a positive direction of travel for this risk, as reflected by the flight path which can be viewed at Appendix 2.
23. The current risk strategy is to reduce. Once the target risk score has been reached it is recommended that the strategy then switches to active management. A residual level of risk is to be expected when running programmes of this scale, particularly when they are being delivered within a similar timeframe.
24. Events which could trigger an increase in the current score relate to staff retention, particularly the loss of experienced staff however through careful management this can equally be turned into an opportunity.

Ongoing Audit of Major Programmes

25. Members are asked to note that Internal Audit are part way through a review of all three of the City of London Corporation's major programmes with the first report on Salisbury Square Development at draft report stage. The draft report provides positive assurance that the expected project and programme management measures are in place with some minor recommendations that are being addressed.
26. Once the audit of all three programmes has been completed, an overview report will draw conclusions and any recommendations for the portfolio.

Conclusion

27. Since the creation of CR33 significant progress has been made against the approved mitigating actions which has resulted in a reduction of the opening risk score of 24 down to 12. The target risk score of 8 is anticipated to be reached following implementation of the review into financial support for the major programmes. Whilst some residual risk will remain around resourcing for the duration of the major programmes, the risk strategy is expected to move from reduce to manage. It may therefore be appropriate to re-cast this risk more broadly to become about the successful delivery of the major programmes and their benefit, on time and on budget, pending the review of Corporate Risks by the Executive Leadership Board in October.

Appendices

- Appendix A – CR33 Detail Risk & Flight Path

Matthew Pitt

Head of Major Programmes Office

T: 020 7332 1425

E: matthew.pitt@cityoflondon.gov.uk