

<b>Committee(s):</b> Operational Property and Projects Sub Committee – For Decision	<b>Dated:</b> 30/05/22
Policy and Resources Committee – For Decision	09/06/22
<b>Subject:</b> Project Governance	Public
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	All – cross-cutting
<b>Does this proposal require extra revenue and/or capital spending?</b>	N
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of:</b> Chief Operating Officer (COO)	For Decision
<b>Report author:</b> Rohit Paul, Corporate Programme Office, COO	

### Summary

This report outlines interim arrangements for project governance. It includes a temporary request for delegated authority to Tier 1 Chief Officers, to approve all reports for projects with an estimated cost of below £1m (excluding risk). These changes are suggested to support the new Committee in focusing on projects with higher costs and levels of risk. This report also provides an update on the review of the Projects Procedure and project thresholds.

### Recommendation(s)

Members are asked to:

- Delegate authority for all projects with an estimated cost of below £1m (excluding risk) to Tier 1 Chief Officers and officers listed in Appendix 1 for approval.
- Note that Members will be presented with a range of options for revised thresholds in July.
- Note that another report will be submitted in October to amend the Projects Procedure.

### Main Report

#### Background

1. The City's project governance was last reviewed in 2018, whereby various changes were implemented, including the introduction of Costed Risk Provision

(CRP), the creation of the Project Management Academy (PMA) and a revised version of the Projects Procedure. Further changes were scheduled for implementation soon after, however these were deferred, due to the Member Governance Review.

2. Consequently, issues such as very low project thresholds (£50k for capital projects) have remained in place, which has often led to large volumes of paperwork being submitted to Committee for nominal sums.
3. More recently, other changes have been implemented via the TOM and Member Governance Review, which have included:
  - Revised thresholds for Investment Property Group (IPG) projects (£5m) and CoL Schools (temporary pilot at £1m)
  - Strengthening the 'hub and spoke' Programme Management Office (PMO) arrangements
  - Agreement to refresh the Projects Procedure
4. The Projects Procedure is now outdated and no longer reflects the various amendments agreed since 2018. Officers were advised to refrain from submitting revised iterations due to the TOM and Member Governance Review, however with the launch of the new Operational Property and Projects Committee (OPP), it would be prudent to progress this soon.

## **Current Position**

5. Revising the Projects Procedure will have a significant impact on what is submitted to Committee, as this sets out the thresholds for projects. For capital projects, this currently stands at £50k, which is too low and no longer pragmatic. It was not uncommon for Projects Sub Committee (PSC) to have agendas ranging in size from 20-30 items.
6. As three Committees will now merge in to one, it is likely the agenda sizes will become too large and difficult to manage within two hours. Therefore, to enable Members to properly scrutinise high value projects, which tend to carry greater levels of risk, the thresholds must be raised. These changes will bring closer alignment with the TOM principles, as well as the recent revisions made to officer delegations, which were developed to allow officers to have greater authority for approvals.
7. A report will be submitted to Committee in July, which will present a range of potential thresholds for Member approval.
8. Once Members have expressed a preference, officers will develop and implement revised processes around the new thresholds, which will be finalised as part of a refreshed version of the Projects Procedure. This will also include other amendments, such as changing the definition of a project to remove routine procurement activities currently caught in the process, for example vehicle purchases.
9. A revised version of the Projects Procedure will be submitted in October. Please note this will also require approval from Policy and Resources Committee.
10. For the interim period, there is still a pressing need to ensure that the agenda size is kept manageable, therefore this report proposes that all reports for projects under £1m are delegated to Tier 1 Chief Officers and officers listed in Appendix 1 for approval, until the Projects Procedure is formally revised.

11. The £1m threshold has been proposed for consistency with the CoL Schools' Pilot (agreed via the TOM). This was also the initial threshold approved for the IPG expedited Gateway Process.
12. It is estimated that a temporary threshold of £1m would leave just under 150 projects within the Committee remit. If this is not approved, all Gateway reports for projects above the £50k capital threshold will revert to Committee, thus leaving close to 350 projects technically eligible for the Committee cycle.

## **Options**

13. Option 1 – Delegate authority to approve reports for projects under £1m to Tier 1 Chief Officers and their delegates within Tiers 2 and 3 (listed in Appendix 1). This would be on an interim basis until the Projects Procedure is amended in October. This is the recommended option.
14. Option 2 – Maintain the existing arrangements and receive all project reports at Committee. This is not recommended due to the volume of paperwork Committee are likely to receive.
15. A further report will be submitted in July presenting options for thresholds.

## **Proposals**

16. The recommendation in this report to agree a temporary delegation for the interim period carries the following benefits:
  - Ensuring the agenda remains a reasonable size.
  - Allowing Members to focus their attention on more high-risk/strategic items, rather than minor operational issues.
  - Greater consistency with delegations agreed elsewhere within the City (such as the CoL Schools' Pilot).
  - Delivery at pace.
17. For projects under £1m, officers will continue to follow the current process for those within thresholds delegated to Chief Officer, including the standard Gateway Process paperwork and logging of projects on the City's corporate software (Project Vision).
18. The existing performance reporting framework will be maintained. Committee will continue to receive 'red reports' for projects below the £1m threshold. This will ensure Members are aware of the key issues and can maintain oversight of their progression.
19. Officers will also be expected to continue to consult with key stakeholders such as colleagues in Chamberlain's, Commercial Services and the Corporate Programme Office.
20. Both OPP and Service Committees reserve the right to 'call in' any delegated reports for scrutiny.
21. Both Corporate Projects Board (CPB) and Chief Officers can suggest submitting specific reports to Committee, if they feel it would benefit from Member Oversight.
22. OPP will also receive a monthly list of new projects submitted to CPB to proceed under delegation.
23. Projects with an estimated cost of equal to and above £1m will continue to follow the standard process.

24. The changes outlined apply to project approvals but not to funding. Projects will still follow existing steps for funding approvals, such as authority form Resource Allocation Sub Committee.
25. An options appraisal will be presented in July, outlining a range of potential thresholds for projects, including subsequent implications on the volume of papers and any risks to note.
26. A further report will then be submitted in October, finalising all the changes into a refreshed Projects Procedure, once officers have developed new processes around the revised thresholds. It is likely that the following will be proposed within that report (please note this list is not exhaustive):
  - Revised thresholds.
  - Removal of routine procurement exercises.
  - Changes to project tolerances.
  - Greater delegations.
  - Flexible use of CRP.
  - References to the PMA.
  - A more streamlined approval process.
27. It is expected that these changes will deliver the following benefits:
  - Closer alignment to industry standard.
  - Facilitating discussion in Committees for high-risk items where Members can add value.
  - Reducing paperwork and time spent on operational issues or low-cost items.
  - Supporting officers in delivery at pace.
  - Implementing changes in line with a previous steer from Members on their desired amendments.
  - Removing non-project related work from the process for Project Management.
  - Empowering Senior Responsible Owners to take ownership for delivery of their projects.

## **Key Data**

28. There are close to 350 projects within the portfolio, which is why it is essential to agree a temporary delegation, whilst the longer-term amendments are completed.
29. A review of previous PSC agendas has shown that it is not uncommon for agendas to include 20-30 items. Due to the revised Terms of Reference for OPP, including this number of project reports will no longer be viable.
30. Former Committee Members have regularly provided feedback on the large volume of papers, many of which have historically been for minor sums or routine procurement exercises. The need to reduce the agenda sizes to focus on more strategic issues has been a recurrent theme.
31. The next report submitted will include data on how many projects would proceed under delegation if specific thresholds were to be selected. It will also include an approximation of how many will continue to be submitted to Committee.

## **Corporate & Strategic Implications**

There are no strategic implications for this report, other than the benefits agreeing a temporary delegation would bring in allowing Members to focus on strategic issues, because of the reduction in low-cost items. The report presenting revised procedures in October will have significant implications for corporate project governance.

Financial implications – There are no funding requests within this paper. The temporary delegation would mean all projects with an estimated cost of under £1m (excluding risk) are not submitted to OPP.

Resource implications – None.

Legal implications – None.

Risk implications – This approach has been suggested to mitigate risks around unmanageable agenda sizes. Increasing the threshold for the interim period will result in fewer reports submitted to Committee. There are existing procedures for delegations in place within the Projects Procedure, which will continue to apply for all projects, such as utilising the same paperwork and mandating sign-off via senior officers. Audit can also conduct 'deep dives' if requested to monitor compliance.

The next report will outline risk implications for changes to the portfolio. Risks associated with each recommendation will be assessed and will inform the development of a robust assurance framework to support the changes.

Equalities implications – None.

Climate implications – None but the Projects Procedure will include references to Climate Action governance once revised.

Security implications – None.

## **Conclusion**

32. It is necessary to consider a temporary delegation for the interim period until Autumn, due to the current low thresholds and size of the portfolio.

33. A wider review of the Projects Procedure is now required, as agreed in the TOM paper for Project Management, which will refresh the City's project governance and result in closer alignment with industry standards.

## **Appendices**

- Appendix 1 – Officer Delegations

## **Background Papers**

None

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