Committees:	Dates:
Audit and Risk Management Committee Projects Sub-Committee	05/03/2013 19/04/2013
Subject: Strategic Risk 6: Project Risk	**Public**
Report of: Town Clerk	**For Decision**

Summary

The City of London Corporation invests substantial capital and revenue resources in developing and delivering projects. Projects range from capital schemes to the corporate and investment property portfolio to transformation projects that change the way the organisation operates. Managing the risks involved in each project is vitally important not only because many of them expose the City Corporation to reputational, operational or financial problems if they are not delivered effectively, but because effective risk management results in better use of resources.

Dealing with uncertainty is a difficult part of project management and project managers continuously juggle different elements of the project so that the project ultimately delivers the agreed success criteria within budget, on time and to the approved specification. There are three main factors that enable effective project risk management here at the City Corporation. First, robust corporate requirements to manage project risk in a consistent way with governance arrangements and procedures to ensure compliance. Second, a culture that allows for regular, open discussion between Members and officers about projects, healthy debate about risk and different ways of approaching projects. Third, adequate resources and training so that officers are able to manage project risk in the appropriate way and learn from their own and others' experiences.

Strategic Risk 6 covers the risk associated with commissioning and delivery of large scale, high profile or prestigious projects. The gross risk is rated Amber with the likelihood rated as 'Possible' and the impact as 'Major'. This report explains the assessment given and the actions being taken in respect of the three factors listed above to mitigate this risk. The action taken to date largely relates to capital, supplementary and routine revenue projects covered by the City Corporation's Project Procedure. However, there are plans to extend some features of the project management arrangements to transformation projects.

There have been two key changes to Strategic Risk 6 since the Audit and Risk Management Committee last considered it. The first is that reference to events has been removed from the 'Risk' section. Risk management for high profile events is covered by the Remembrancer's departmental risk register. The second is that the risk owner has changed from 'Relevant Chief Officer' to the Town Clerk. This reflects the Town Clerk's responsibility for implementing the processes, procedures and guidance relating to project management. However, the Chief Officer for each project is responsible for ensuring risk management is carried out for the project.

Recommendation

It is recommended that the contents of the report be noted and progress on the the key issues and actions set out in Appendix 4 be reported to the Projects Sub-Committee in six months' time

Main Report

Background

1. The City of London Corporation's capital and revenue resources are severely constrained and decisions about how to allocate resources are taken with great care. Understanding the risks to a project is an important part of deciding which projects should receive funding and how much should be allocated. Risk management as an integral part of managing a project leads to better use of resources as budgets can be reduced as risks are eliminated so funds can be released back to reserves or to other priority projects.

2. Following a review of the City of London Corporation's project management arrangements, the Court of Common Council approved a new Project Procedure in October 2011. The Project Procedure applies to capital and supplementary revenue projects over £50k and larger revenue projects over £250k. The Gateway process that was introduced is provided at Appendix 2 and an explanation of each of the purpose of each Gateway is provided at Appendix 3.

3. Around the same time, other changes were made to improve the monitoring and support of projects developed and delivered by the City Corporation. These included new software to capture information about projects (Project Vision), the appointment of a small Corporate Programme Office and the development of an online Project Toolkit with advice and guidance for officers involved in delivering projects. When procuring Project Vision there was a debate about whether to capture only the top, say 20, large scale projects. However, Members and officers agreed that smaller scale projects still had the potential to expose the City Corporation to great risk, albeit not necessarily of a financial nature. As a result, the decision was taken to capture all projects covered by the Project Procedure in Project Vision.

4. While many of the initiatives introduced in 2011 are relevant to all projects, the focus of the Corporate Programme Office to date has been on the compliance of projects covered by the Project Procedure. Project management arrangements for other types of projects are determined by the department responsible.

Current Position

5. Risk management is at the heart of the City Corporation's project management arrangements. This report assesses the measures in place and the work that is in progress in relation to the three main factors that enable effective project risk management and the challenges that still remain.

Corporate requirements, governance arrangements and procedures

6. Key issues and action points in this section:

	Key Issue	Actions	Paragraph
a.	Variable compliance with requirement to provide project risk register to Programme Office at same time as draft Gateway report	i. Corporate Programme Office to ensure project risk register provided with each Gateway report ii. Corporate Programme Office to raise awareness of this requirement iii. Chamberlain's Risk and Assurance Function to review risk project risk registers periodically	13
b.	Variable compliance with requirement to update Project Vision with key data monthly	iv. Corporate Programme Office produces statistics on use of Project Vision on a monthly basis and shares with Internal Audit v. Corporate Programme Office to circulate statistics to relevant Chief Officers vi. Corporate Programme Office to report periodically to Corporate Projects Board and Projects Sub-Committee on compliance levels	14

7. The Project Procedure and project governance arrangements at Member level are well established. A review was undertaken of the current project management arrangements in September 2012, one year after they were introduced. The review found that the arrangements are generally working well and that no changes were required. The key features of the project management arrangements relating to risk are set out below.

8. The Project Procedure covers all capital and supplementary revenue projects over £50k and revenue projects (funded from local risk) over £250k. This means that the majority of the City Corporation's spend on projects is governed by a rigorous approval process and change procedures. As a guide, there are currently some 300 projects currently being developed, delivered or awaiting outcome reports which are worth a total estimated cost of some £450m across the City's three funds.

9. The Project Procedure contains the Gateway approval process which has two approval tracks – Standard and Streamlined. The decision about the track a project should follow is taken by the Projects Sub-Committee based on the total estimated cost range and the overall level of risk associated with the project. A project can change approval track during its evolution as more information is obtained about the cost and risk of the project.

10. One of the key circumstances in which projects encounter problems is when roles and responsibilities for the project are not clearly defined. Responsibility for projects governed by the Project Procedure is established from the outset and the first Gateway report requires confirmation of the Senior Responsible Officer for the project. The establishment of a Project Board must be

considered at that stage and reasons given if one is not considered necessary. A summary of the governance arrangements must also be included in each Gateway report.

11.   Success criteria are defined and approved early in the process. This is important so Members and officers are clear what the project is going to achieve and how success will be measured at the end. The success criteria can be important for establishing the degree of risk that will be tolerated within the project and in which areas (e.g. budget, programme, specification).

12.   A risk register should be prepared for each project governed by the Project Procedure, either in the project management system Project Vision or separately. For more complex schemes, risk workshops will be held and the City Surveyor's department has significant experience of facilitating such events. Guidance produced by the Risk and Assurance function on project risk management is available in the Project Toolkit on the intranet.

13.   Reporting at each Gateway is carried out via templates which each have a section concerning key risks to the project which will be taken from the project's risk register. Officers are expected to provide the latest version of the risk register for review at the same time as the draft Gateway report is circulated. Compliance with this requirement is not universal and the Corporate Programme Office and Risk and Assurance function need to work together to ensure risk registers are provided as a matter of routine and are subject to periodic review.

14.   Project Managers are expected to update Project Vision with key details about the project on a monthly basis, which includes the key risks to the project. Compliance with this aspect of the project management arrangements is variable and the Corporate Programme Office is working with Internal Audit and departments to improve the situation. There are areas of good practise, for example Team Leaders in the Built Environment Department are using the risk information provided in Project Vision at team meetings to ensure project managers are keeping on top of the key risks to their projects.

15.   The risk associated with the affordability of the capital programme was reported as part of Strategic Risk 3 in December 2012. However, the Gateway approval process ensures capital spend is scrutinised and controlled carefully.

16.   The Gateways represent major decision points during a project's evolution and a number of months, sometimes years, pass between one Gateway report and another. Although certain key data is captured corporately about each live project, it is the responsibility of Chief Officers to determine the processes that are necessary within their departments to ensure projects are managed effectively and efficiently between Gateways.

Culture and communication

17.　Key issues and action points in this section:

	Key Issue	Actions	Paragraph
c.	Variable use of confidence ranges to describe uncertainty in projects in Gateway reports	vii. Heads of Finance, Corporate Programme Office and Policy Officers to ensure consistency of approach when reviewing draft Gateway report	21
d.	Retention of approved budgets beyond the end of the project	viii. Corporate Programme Office and Heads of Finance to continue driving prompt production of final account and Outcome Report ix. Town Clerk, Chamberlain and Chief Officers to develop dynamic model of financial management that ensures links are made between project, risk and financial management	22
e.	Inconsistency of information relating to project progress provided to Town Clerk and Chamberlain	x. Corporate Programme Office and Capital Team to work in partnership and challenge cases where inconsistent information provided	23

18.　The review of project management undertaken prior to the introduction of the current arrangements in October 2011 found that there was a reluctance amongst officers to communicate about problems with projects. Members and officers have worked hard over the past year to make a shift towards a more open and transparent culture when developing and delivering projects.

19.　The Gateway approval process consists of seven Gateways, five of which take place before the project can go ahead and start work. The Gateways give Members the opportunity to influence projects at the optimum time, at the start of the project and during the options appraisal phases. Not all projects go through all seven Gateways and it is possible to flex the process where it is appropriate to do so (e.g. to take advantage of external funding or to achieve appropriate speed to market).

20.　The Projects Sub-Committee is keen to understand the risks associated with each option for a project and encourages officers to put forward imaginative solutions, particularly in relation to the procurement strategy as this is a key time to decide how much risk the City Corporation is willing to retain, how much to transfer to a contractor and at what cost. There is a focus on the level of resources sought in the early stages of a project so the right balance is achieved between keeping fees down and obtaining the appropriate volume of information about the risks to the project through surveys and exploratory work. At times this can lead to healthy debate between Committees and/or departments as the appetite for risk varies across the organisation.

21.   As a project develops, the inherent level of uncertainty relating to cost, time and specification will diminish as officers gather more information about how it can be delivered. The Project Procedure allows officers to give 'confidence ranges' at each Gateway so that Members are made aware of the uncertainty associated with the information provided. This is becoming increasingly common practice as project managers learn how to make greater use of this facility.

22.   There is a culture where officers tend to retain approved budgets beyond the end of the project, rather than handing funds back part way as risks are eliminated. A closer link between project management, risk management and financial management will help change this culture and the Chamberlain, Town Clerk and Chief Officers are working on a dynamic model of financial management to drive this approach through the organisation.

23.   Projects Sub-Committee receives regular reports on all projects at a high level on a periodic basis via programme reports which provide a status of 'red', 'amber' or 'green' with all projects rated 'red' and 'amber' reported more frequently. The programme reports are an opportunity for officers to update the Sub-Committee on any potential or actual problems with current projects. The assessment of whether a project is deemed to be 'red', 'amber' or 'green' is made by the project manager based on the progress of the project against the agreed budget, programme and specification. There are a number of projects that have been reported as green while the Chamberlain has been informed separately that there is slippage in the budget which would indicate that the programme will also be in danger of slipping. The Town Clerk and Chamberlain will work closer to ensure consistency of information.

24.   There is an Issue Report template available for officers to complete when they encounter a problem with their project at any stage of the Gateway process and a decision is required on how to proceed. A 'lessons learned' box is included in the template so it is possible to learn from specific issues that occur in a timely way, rather than waiting to the end of a project.

Resources, training and learning

25. Key issues and action points in this section:

	Key Issue		Actions	Paragraph
f.	Constrained resources for projects (financial and staff)	xi.	Chief Officers to ensure project teams are adequately resourced to deliver projects with sufficient time devoted to appropriate project controls, including risk management	26
g.	Risk management training	xii.	Corporate Programme Office, Risk and Assurance function and HR to ensure that appropriate risk management training is provided to officers involved in project management	27
h.	Learning lessons and project management community	xiii.	Corporate Programme Office to develop programme of workshops led by project managers to share lessons from completed projects	28 and 29
		xiv.	Corporate Programme Office to develop an online forum, where possible using Sharepoint and if that is not feasible in the short term, an external solution be progressed	

26. Capital resources for projects are constrained, as are officer resources for delivering those projects. However, there are still some 300 projects currently in development, delivery or awaiting an outcome report. This can mean that the time devoted to important components of project management, such as risk management, is limited. Project risk management is in its infancy at the City Corporation but the foundations have been laid to make sure it develops effectively.

27. Effective management of project risk is an essential skill for project managers. The IS Programme Office organised a series of workshops on project risk management in January and February 2013 which were open for officers in any department to attend. It will be important to continue to provide training and support in this discipline for all officers involved in project development and delivery.

28. Improving dialogue between officers across the organisation and sharing expertise within the City Corporation is a key area to improve. The Corporate Programme Office will be working to develop a community of project managers over the coming year, including the implementation of an online forum.

29. Gateway 7 of the approval process is the Outcome Report and an assessment is made of the success of the project, including a review of the risk management arrangements. Learning lessons and recognising achievements are key components of the report. Sharing lessons learned is an area for improvement over the coming year.

30.   The Association for Project Management's (APM) vision for the future is a world where all projects succeed and its aim is to ensure the project management profession is equipped to make that happen. The City Corporation has various links to the APM and will learn from the work that is being undertaken by that professional body.

Challenges

31.   Paragraphs 6 to 30 above set out the measures that have been implemented corporately to ensure risk management is integral to the development and delivery of City Corporation projects. Chief Officers are responsible for managing the risk associated with each of the projects within their portfolio and the Corporate Programme Office, together with the Risk and Assurance function, now needs to work with the relevant Chief Officers to make sure that project risk is managed in the appropriate way.

32.   The Corporate Programme Office is aiming to put together a list of the projects that expose the City Corporation to most risk. At present that list can only be compiled based on the knowledge that officers within that team have about each project. Although there will always be an element of judgment involved in determining which projects are the riskiest, it is important that the decision about which to include needs to be made based on the information contained in risk registers in Project Vision about the key risks to the project.

33.   Transformation projects are not governed by the Project Procedure. However, the Transformation Board is looking to adopt several key features of the project management arrangements. This will include a similar Gateway process with template reports; utilising Project Vision to capture key information about each project and making use of the guidance available in the Project Toolkit.

Strategic Risk 6 Ownership

34.   The risk owner for Strategic Risk 6 has moved from 'relevant Chief Officer' to the Town Clerk. Through the Corporate Programme Office, the Town Clerk is responsible for ensuring appropriate processes, procedures and guidance are available to the organisation in respect of project risk management. However, the Chief Officer for each project is responsible for ensuring risk management is carried out for the project.

Conclusion

35.   Project risk management results in effective use of resources and the City Corporation has made good progress in embedding risk management in the delivery of projects. Risk is inherent in managing projects and eliminating risk from projects can be very costly. The City Corporation's Project Procedure allows for decisions to be taken at the appropriate time, in respect of projects governed by those arrangements, about the amount of risk that the organisation is willing to take and at what cost. The culture is gradually changing and there is already greater openness and transparency between Members and officers and between officers in different departments. Sharing more experience across the organisation is imperative so, when problems happen during projects, we learn from them and do our utmost to avoid them a second time. A summary of the key issues facing project risk management

together with mitigating actions is provided at Appendix 4. Taking account of all of the measures implemented or underway in respect of project risk, the net risk remains the same as the gross risk at Amber with the likelihood reducing from a gross rating of 'Possible' to 'Unlikely' and the impact reducing from a gross rating of 'Major' to 'Moderate'.

Appendices

- Appendix 1 – Strategic Risk 6
- Appendix 2 – Gateways Explanation
- Appendix 3 – Project Approval Process (the Gateway process)
- Appendix 4 – Summary of Issues and Action Points

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