

MEMBER GOVERNANCE OF PROJECTS

1 Terms of reference, timeline, process, thanks

1.1 The City of London Corporation (CoLC) commissioned me on 29th March 2023 to undertake an independent review of the political governance of project management. This commission followed an earlier review of project governance which was undertaken by the consultancy Red Quadrant and was complete prior to my commission. The Red Quadrant review dealt with the governance of projects by officers, but its terms of reference did not include the implications of change for political oversight and decision-making, nor the thresholds which should apply to project reporting to members. My report should therefore be read alongside the outcome of this earlier review.

1.2 The terms of reference for my work were agreed by the Policy & Resources Committee at its meeting on 23rd March 2023 as follows:

“Review of Member Governance including (but not limited to) Capital Buildings Board, Operational Property and Projects Sub-Committee, Markets Board and any other associated Committee; develop proposals for improvements to Member governance to support the development of a portfolio management approach; that Member focus is on strategic oversight and direction of projects; and that Members can fulfil their democratic responsibilities in relation to value for money, governance and delivery; to consider the Member governance position service committees should hold vs. cross-cutting committees for projects”.

1.3 My review incorporates consideration of the comprehensive range of projects and programmes within what is proposed to be a unified portfolio. Of course, I have paid particular regard to the major projects already underway that are overseen by the Capital Buildings Board as well as the likely future pipeline of projects, including the redevelopment of the Barbican Centre.

1.4 In terms of methodology, I have read and reviewed numerous CoLC reports and minutes, viewed committee meetings on the CoLC YouTube channel, and met members and officers at the Guildhall both in group discussions and 1/1 meetings during the week commencing 15th May 2023. The Chairman of the Policy & Resources Committee wrote to all members to explain this process and there followed a letter from the Town Clerk & Chief Executive to all members to invite those interested to meet me if they wished. I have met with 28 members in total. I have been able to meet with every member who requested to do so. Occasionally, I have heard potentially important observations which fall outside the terms of reference for my review but may still be worth capturing without recommendations so that they are not lost and members can return to them in the future if necessary. I have

therefore included these extraneous observations towards the end of this report.

- 1.5 I would like to place on record my thanks to the many officers and members with whom I have met, who have been welcoming and generous with their time and insights.

2 Professional background and declaration of interests

- 2.1 Between 1998 and 2022, I have worked as a Chief Executive of major local authorities, always unitary/all-purpose councils, including Peterborough City Council, the London Borough of Sutton, the London Borough of Wandsworth, the London Borough of Richmond-upon-Thames and (in recent years as an Interim Chief Executive) at the Government of Jersey and the London Borough of Ealing. I have also worked as a senior civil servant in the (then) Office of the Deputy Prime Minister as Regional Director (Government Office for the South East). In terms of major projects and regeneration, between 2010 and 2021 as Chief Executive of the London Borough of Wandsworth, I worked on the regeneration of Nine Elms including the reactivation of Battersea Power Station, the redevelopment of the New Covent Garden Market and the Tax Increment Financing of the Northern Line Extension.
- 2.2 Moving on to my limited interests in the City of London Corporation, as a member of the Central London Partnership over the period 2010/2021 I have worked with the two immediate predecessor chairs of the Policy & Resources Committee. My wife worked for the City of London's planning department between 2017 and 2019. Finally, I have known the Clerk & Chief Executive since 2019 as a neighbouring south London Chief Executive when he worked at the Royal Borough of Kingston-upon-Thames while I was Chief Executive at the London Boroughs of Wandsworth and Richmond-upon-Thames.

3 Recent drivers for governance change at the City of London Corporation

- 3.1 The City of London Corporation is unique in its history dating back to the Norman Conquest, and this continues into the present day with a role and range of responsibilities that includes the functions of a local authority but extends well beyond these to incorporate wider business and charitable activities. Overlaid upon this impressive heritage, the CoLC has a clear track record of thoughtfully reviewing its ways of working to ensure it reflects contemporary expectations in governance, outlook and social responsibility. During my review, I heard that a proactive approach to reassessing organisational context - identifying risk and repositioning the Corporation - was successfully adopted 25 years ago as the new Government elected in 1997 reviewed the structures of local government and London local government in particular.

3.2 This approach of methodical and careful review has continued in recent years. A 2011 internal governance review (upon which I draw in this report) was followed by a 2019 commissioned review of Lord Lisvane, which included in its terms of reference:

“to review the governance arrangements of the organisation by undertaking a comprehensive examination of the City Corporation’s Code of Corporate Governance, to ensure that the arrangements are efficient, fair, transparent and accountable”.

3.3 Lord Lisvane reported in September 2020, and I have had a close regard to his report and recommendations in my own much narrower. His recommendations have in part been implemented – for example, in a reduction in, and simplification of, the number of committees. In part, though, they have not been implemented - for example, Lord Lisvane recommended the abolition of two committees named in my terms of reference, the Markets Board and the Capital Buildings Board and their incorporation into a wider Property Committee. The reasons for unimplemented recommendations may be that on some issues members were ultimately unconvinced of the case for change, potentially heightened by the unpropitious context of the pandemic. Change management is much more difficult in the absence of physical presence. Sensibly, the very recent Light Touch Governance Review (LTGR) has sustained a focus on his recommendations, for example leading to the recent decision to merge the Property Investment Board and Financial Investment Board amongst other decisions. The LTGR considered several potential changes that are relevant to my review, including a single reporting line for the Operational Property & Projects Sub-committee (OPPSC) which currently reports to two Grand Committees, and the future role of the Capital Buildings Board (CBB) and these have been referred to in my review.

3.4 The broader findings of the Lisvane review which are relevant to my work three years later are: a “lack of corporate endeavour”; “multiple involvement of committees”; silos; the rejection of an open-ended approach to dispensations (itself drawing on advice obtained from Philip Kolvin KC); and on standards more generally, a finding that,

“the Corporation must set itself to maintain and support the promotion of those highest standards, and its Members need to be fully engaged in this endeavour”.

3.5 In such a complex and wide-ranging organisation as the CoLC, it is unsurprising if change develops incrementally towards an agreed long-term strategy. Desmond Tutu observed that “there is only one way to eat an elephant: a bite at a time”. Inevitably, Lord Lisvane did not consider the level of detail that is the subject of this narrower report, although I think it is important for each stage of the journey to take heed of what has come before and to build in the spirit of continuous improvement. The corollary is that members need to have regard for earlier recommendations that were valid but perhaps placed in the “too difficult” box. There are great risks in not tackling practice head-on which we know to

be wrong.

- 3.6 Other recent drivers for change include the Target Operating Model (TOM). This was initiated in 2020 and is substantially complete. The project focused on the work of officers and aimed to address some of the issues in the Lisvane report – notably, a simplified and more corporate organisation utilising improved processes and at lower cost. A report to the Policy & Resources Committee on 23rd March 2023 provided an interim outcome including an acknowledgment that the TOM:

“will not deliver culture change or transformational change –further thinking of how the success of the programme will be measured, and whether the organisation is fit for purpose will follow in the final report”.

- 3.7 TOMs of Olympian ambition can become overly focused on organisational restructuring to the exclusion of reforms to the culture and processes of the organization; and the scale of the change invariably means that not every intention is fulfilled, and the organisation needs to return to some issues for more incremental change. Nevertheless, the TOM has provided a welcome platform in respect of project and programme governance that combines previously separate teams and provides a more coherent officer structure to deliver the complete portfolio of CoLC projects and programmes.
- 3.8 The current Corporate Plan is in its final year, and arrangements for its extension or successor are currently under discussion. The existing Corporate Plan is not a significant driver for change in the Corporation, not least because it was written prior to some of the fundamental changes described below. It is very high level in its approach and lacks the detail which could drive prioritisation, organisation development, placemaking and a more corporate approach with a shared ethos. Some members observe that they are unclear on how even very significant projects became commitments in the first place, apparently lacking the authority of agreed priority in a corporate plan or even a clear business case prior to initiation. The proposed approach to portfolio management will certainly address the second point, and a more granular Corporate Plan will address the first. The current Corporate Plan’s imprecision and lack of salience inevitably undermines clarity of direction, pace and change in other more detailed CoLC plans and strategies – for example, the Corporate Property Asset Management Strategy which aligns to the current Corporate Plan and therefore does not reflect the imperatives we face in 2023.
- 3.9 I heard a widespread appetite – amongst officers as well as members – supportive of a more consistent, energetic and commercial approach which is seen not simply as desirable but imperative to achieve the Corporation’s ambitions. This would also support continuing reforms to the internal governance of the Corporation, which would normally feature in a Corporate Plan as the concomitant accompaniment to an account of strategic priorities and targets.

4 Recent wider drivers for change

- 4.1 The scale of ambition in the CoLC is impressive, even daunting, and with projects to which the Corporation is already committed totalling around £2 billion; this level of commitment exceeds anything in the Corporation's long history. While there may be many reasons for the extent of this ambition, the backdrop to this is a period of seven years since the Brexit referendum which has been characterised by uncertainty about the country's future trading arrangements followed by the pandemic, its consequent lockdowns and the accompanying shock to the economy and working practices generally. This has inevitably impacted not just on the economic circumstances and challenges facing the Square Mile, but on the Corporation's capacity to address itself to major challenges including the £140 million bow wave of investment required to adequately maintain its own estate.
- 4.2 Of course, the success of the UK economy is substantially dependent upon the competitiveness and attractiveness of the Square Mile. Destination City powerfully describes the Corporation's commitment to Global Britain. The commitment to achieve climate change goals provides an additional level of demands. Meanwhile, the CoLC is operating in the same context of skills shortages as all other employers and for this reason the recruitment and retention of staff has rightly been elevated to the level of a Red Risk. Four of the five Red Risks facing the Corporation are relevant to this report – in addition to skills shortages, the remaining three being unsustainable medium-term finances (city funds); unsustainable medium-term finances (city cash); maintenance and renewal of physical assets including property. The Corporation has an appetite for transformational projects and change that will severely test its capacity and finance to deliver them. The reconciliation of (well-judged) ambition with (limited) capacity is a backdrop to my work. The way through this conundrum requires a commercial approach coupled with a can-do attitude.

5 The principles of good governance and effective project management

- 5.1 The principles of good governance have been developed over many decades, in this country and internationally, and have been codified by the CoLC in various policies and commitments of which I have found the 2021 Member/Officer Charter especially useful. This Charter brings together the Members' Code of Conduct with the Seven Principles of Public Life and defines the standards of good governance in the Corporation. It therefore features in the Corporation's Annual Governance Statement. Two requirements are especially relevant to my review, to which I will return –

“It is not the role of Members to involve themselves in the detail of day-to-day

management of the Corporation’s services, employees and workers”; and

“while individual Chairs/Chairmen are in the same constitutional position as all other Members, having no legal authority to make executive decisions, they have certain other powers (e.g., the control and conduct of meetings) as well as a broader leadership role”.

- 5.2 I have reviewed the Members’ Code of Conduct and this is comparable to other codes I have known, and I have seen no reason to believe it has been broken on matters relating to my review. However, I do note that the Code refers to, “not allowing other pressures, including the financial interests of yourself or others connected to you, to deter you from pursuing...the interests of the Corporation or the good governance of the Corporation in a proper manner”, which is a consideration I return to later.
- 5.3 Turning to the principles of effective programme and project management, these have become well established in both commercial and public practice and are reflected in the Red Quadrant review. Complexities are generated within a democratically accountable context which requires clarity on how the political governance of the organisation relates to its managerial governance. These complexities are more acute in the CoLC than in most local authorities partly because the CoLC’s functions extend well beyond any council. The absence of an executive/scrutiny separation means there is no single committee that provides comprehensive political oversight of projects and programmes, which in councils is typically provided by the Cabinet. Additionally, member affinity to a particular committee can serve to reinforce the silo working which is a feature of the officer departmental structure. It follows that for overall coherence it is essential for CoLC to have a strong corporate centre and an organisational culture that reflects that legally this is a single organisation.
- 5.4 There is no definitive rule book on the respective accountabilities of members and officers for projects – both large and small. Public sector organisations need to identify for themselves how they perceive these demarcation lines, having regard to their scale, risks and bandwidth. At a national level, the Infrastructure and Projects Authority (IPA) is the Government’s centre of expertise for infrastructure and major projects. The IPA provides expert project delivery advice, support and assurance to government departments, and ensures that projects are delivered efficiently and effectively, and improve performance over time. The CoLC equivalent has been established through the TOM and provides a platform to ensure coherent oversight of the portfolio of projects and a culture of continuous improvement.
- 5.5 Nevertheless, it is a fact that the public sector’s track record of managing projects is at best mixed. The Public Accounts Committee report “Lessons from major projects and programmes” (2019/2021) describes an often unsatisfactory experience of cost overruns; value for money risks; insufficient capacity to deliver; concerns about transparency; and insufficient skills and leadership. The report finds that around 75% of major programmes

in the private and public sectors overspend or are delivered late. An interesting finding from this report is the need for a culture described as Tell It Like It Is –

“creating trust within organisations requires leadership; leaders must be willing to hear bad news in order to instil the right behaviours in their teams”.

- 5.6 This is important, because it is a reminder that the effective governance of projects is about organisational leadership and culture, as well as structures, processes and thresholds.
- 5.7 Moving on to the appropriate role for members in respect of major projects, Government guidance on project management is that:
- “the sponsoring body acts as the driving force for a programme or project providing: top-level endorsement for the programme’s or project’s rationale and objectives; direction to the senior responsible owner, addressing escalated risks and issues; and making or referring decisions that are above the Senior Responsible Owner’s delegated authority”.
- 5.8 The implication for the CoLC is that it needs to be clear for any given project who the sponsoring body is (which may be a member or officer board) and the identity of the SRO.
- 5.9 What lessons should the CoLC draw from the experiences of national Government in project and programme management? The need for culture, processes and accountabilities to be aligned in the SRO/Sponsor Board so that respective officer and member responsibilities are clear; robust planning processes that are well informed by expert technical and financial inputs to ensure the maximum possible realism and accuracy in forecast timescales and costs; a culture that is open, challenging, respectful and encourages accurate reporting without an optimism bias; an alignment between those accountable for projects with the expertise and experience to manage or scrutinise them, with training to support these roles; and streamlined processes that enable thresholds of delegated decision-making that empower those accountable to proceed with their work without excessive complex bureaucracy.
- 5.10 Effective project risk management incorporates an approach known as “three lines of defence” to ensure that the risks of cost overruns and delays (which are endemic in major public sector projects) are controlled and that there is a separation in powers which minimises the possibility that excessive reliance is placed on any single individual or entity. These three lines of defence are described as: first, the day-to-day work of the SRO and his/her team to manage the project within agreed parameters; second, the Programme Management Office which oversees the entire portfolio of projects and programmes; and third, Internal Audit which provides assurance and reports on governance and risk management.

- 5.11 I have reflected these ‘three lines of defence’ in the recommendation for change to the political structures with which I conclude, so that Members have the reassurance that there is not a potential single point of failure, at the same time as avoiding the risk of duplication of effort and confusion.

6 The Operational Property and Projects sub-committee

- 6.1 The Operational Property and Projects Sub-committee (OPPSC) is a new committee, which met for the first time on 30th May 2022. It was formed following the Lisvane report which recommended a general culling of what was seen as an excessive number of committees and sub-committees. It was the product of a merger of three former sub committees, the Corporate Asset Sub Committee, the Procurement Sub Committee and the Projects Sub Committee, each of which met for the final time in January/February 2022.
- 6.2 The OPPSC has three broad sets of responsibilities: first, overseeing a substantial part of the Corporation’s property assets to ensure that the corporate landlord function is managed effectively; second, overseeing procurement; and third, overseeing the Corporation’s projects and programmes. My terms of reference relate to this third strand although I have heard that the OPPSC is taking a proactive and challenging approach to identifying under-utilised or potentially redundant properties for disposal which is extremely important given the legacy backlog of maintenance and the need to identify capital receipts to support the corporation’s major projects. Although asset management has not been a focus for my review, I have been asked to comment on how the Corporation might better incentivise property occupiers to take a proactive and energetic approach to asset disposal. A new Corporate Property Asset Management Strategy is required to drive pace and prioritisation in the shrinkage of the estate and consequent disposal of properties. This strategy could take action on various fronts:
- 6.3 First, targets for asset disposal need to feature prominently in the Corporation’s performance management priorities, starting with the objective setting of all Chief Officers.
- 6.4 Second, an incentive needs to be provided so that service committees derive some benefit from an asset disposal rather than this benefit being entirely received by the corporate organisation. This could be achieved in a share of either the revenue savings of an asset disposal or agreement on the acceleration of a desired service capital requirement.
- 6.5 Third, asset disposals invariably require service transformation which in turn requires change management capacity to enable the disposal to become available. It is therefore helpful if this short-term capacity is supported with the specific goal of achieving the

required disposal(s).

- 6.6 Finally, in any wide-ranging and corporate organisation progress is achieved wherever leadership focus places its attention, rigour and priority – if the Corporation focuses sustained leadership attention (both political and managerial) on asset management and disposal, this will yield certain benefits in achieving its goal. The focus and drive of the Capital Buildings Board is a case in point, and also a reminder that this level of attention might not receive universal acclaim, but a measure of friction is inevitable and even desirable in order to achieve progress that is required by the wider organisation.
- 6.7 The Light Touch Governance Review (LGTR) has recently considered the pressures on the OPPSC as part of its wider review and has recommended that the review of project management should consider how the workload of the committee could be better managed to enable a more strategic and proportionate overview of projects which focusses members' attention on the key issues that demand political attention. The LTGR also commented on the dual reporting line of the OPPSC to both the Policy & Resources Committee and Finance Committee which is felt to be sub-optimal and requires addressing through my review.
- 6.8 I have found that the OPPSC is an important and effective part of the Corporation's governance and decision-making, benefitting from clear terms of reference and political leadership. Although the committee's responsibilities are wide-ranging, they make sense in terms of their coverage and synergies between the three main functions. If the OPPSC did not exist, it would be necessary to invent it. Therefore, I am clear that the committee is a strength which should be retained and built upon. The challenge is to ensure that its terms of reference logically reflect the new approach to the management of projects and programmes, that it does not duplicate decisions taken elsewhere and that the thresholds which are applied are realistic in terms of the committee's overall workload.
- 6.9 If approved by the Policy & Resources Committee at its meeting on 6th July 2023, the new approach to project and programme management identifies three tiers of projects – Tier 1 is described as Complex Projects of over £20 million which require member oversight; Tier 2 is described as Strategic Projects of between £2 million and £20 million; and Tier 3 is described as Routine Projects of between £250,000 and £2 million. 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. Fifteen projects (5.6% of the total projects in the portfolio) will be in Tier 1. In addition, it is proposed that the business cases for projects in Tier 2 - valued at over £5 million - will be approved by members. In order to strengthen governance across the spectrum of projects, the new Portfolio board chaired by the Town Clerk & Chief Executive will provide collective chief officer responsibility of the corporate portfolio and act as an effective gateway for member governance. The definition of "major projects" (valued at over £100 million and currently overseen by the Capital Buildings Board) is not one that

up until now has featured in corporate projects policy, but going forward I expect this to change in the new proposed approach. In the officer recommendations, there will be a sub-set of tier 1 projects described as tier 0. The project and programme management requirements remain the same as Tier 1 projects but governance arrangements will be bespoke, involving the Capital Buildings Board and any special purpose vehicles that might come forward in the future.

- 6.10 As current practice is for all projects over £50,000 to come to members, the new approach represents a very significant streamlining of the process which will result in a reduction of reports to members about low value and routine projects.
- 6.11 I have considered where the Sponsor Body role should be exercised for Tier 1 projects that will be overseen by members, as well as Tier 2 projects where applicable. The choice is between this responsibility being undertaken by the OPPSCC itself, and/or the relevant committee. I recommend that this role should be undertaken by a single relevant service committee. My reasoning is that it is a fundamental part of the service committees' role to oversee the high-level management of change in the committee's area of expertise and responsibility, and that the oversight of the more strategically significant projects should be undertaken in a way that aligns with the usual operating model of the Corporation.
- 6.12 It seems to me that the OPPSC should oversee the process of the new Portfolio Management Office. What might this look like in practice? First, the Director of Project Governance will report to the OPPSC and keep the committee informed of relevant issues in the PMOs activities. Second, the OPPSC will consider and determine issues that require member decisions on process – examples will include any judgement calls on whether Tier 2 projects should be overseen by members, or – if several committees have a legitimate interest in a single project, which committee should have primacy and how a second service committee with an interest might best be kept in the loop. Third, the OPPSC will receive an Annual Report from the Town Clerk & Chief Executive on the work of the Portfolio Board, together with an analysis of lessons learned during the year including any relevant findings from internal audit reports. The OPPSC will not become involved in the detailed oversight of individual projects, and repetition of papers going to multiple committees should be eliminated. Sponsor Boards which report to their parent service committees will operate as the single Project Board for Tier 1 projects, and a streamlined gateway process will mean fewer routine reports coming to committees – typically, the new model should require 2 gateway reports with regular dashboard reporting enabling members to retain an overview of progress.
- 6.13 If agreed by the Policy & Resources Committee, the OPPSC will be politically accountable for the PMO and will ensure that any adjustments or changes as may be necessary to ensure the process works to the satisfaction of all are addressed.
- 6.14 Turning to the reporting line for the OPPSC, at present it is a dual reporting line to the

Policy & Resources Committee and the Finance Committee. The assessment of all members with whom I have discussed this issue is that this should be rationalised to a single reporting line to streamline the process, eliminate any duplication and ensure clear lines of accountability. A case could be made for a reporting line to either committee. In view of recommendations I make later in this report, and not to overburden the Policy & Resources Committee, I recommend that the OPPSC should be a subcommittee of the Finance Committee.

- 6.15 I have applied indicative track changes to the current Terms of Reference of the OPPSC and this appears at sub-Appendix A. The recommended single reporting line of the OPPSC to Finance Committee necessitates changes to the current Terms of Reference of the Policy & Resources Committee and this appears at sub-Appendix B.

7 The Capital Buildings Board

- 7.1 The first meeting of the Capital Buildings Board (CBB) took place on 13th July 2022. Its predecessor committee, the Capital Buildings Committee, had its final meeting on 12th January 2022. The predecessor Capital Buildings Committee was a non-ward Grand Committee reporting to the Court of Common Council, while its successor is a sub-committee of the Policy & Resources Committee. The terms of reference and operating scope of the CBB appear to be substantially unchanged from its earlier manifestation as a committee and the chairman has been in place for at least five years. The CBB is responsible for major construction projects in excess of £100 million – currently there are three of these: the Salisbury Square project; the enabling work for the new Museum; and the Markets relocation project to the London Borough of Barking & Dagenham.
- 7.2 Lord Lisvane did not address himself in detail to the workings of the Capital Buildings Board, but he recommended that it should be incorporated within a wider Property Services Committee – a recommendation which of course hasn't been adopted by members to date.
- 7.3 The LTGR identifies a number of issues relating to the CBB – there are differing views and my meetings with members identified a range of opinions about the Board's remit, ways of working and effectiveness which I have sought to listen to carefully and understand. In particular, some members of the Markets Board are critical of the CBB and would like to see political oversight of the markets co-location project move to the Markets Board's own oversight. I have heard concerns that the CBB has a tendency to micromanage projects, challenge detail and generate both uncertainty and delay in contract works. It is also clear that relationships with the New Museum project have not always been easy and it is widely thought that time and costs were incurred by the negotiations with market

traders regarding their lease surrender in 2020.

- 7.4 The CBB has also been the subject of Internal Audit reports in 2021 and 2022. These reports made recommendations relating to the work of both officer and member activity relating to the CBB, although regrettably neither the CBB nor the chairman were aware of these reports until very recently. An overview of the recommendations of these reports together with responses made by both officers and members was considered and agreed at the Board's last meeting on 10th May 2023. I do not intend to address in detail these findings except in so far as a question over governance arrangements was raised by Internal Audit, to which the officer response is that the political and managerial governance of major projects is currently under review.
- 7.5 Having started my work with a neutral, even slightly skeptical, view of a central subcommittee overseeing major projects on behalf of frontline services, I have become increasingly convinced of its value and importance.
- 7.6 There is no doubt in my mind that the Capital Buildings Board and in particular its Chairman have made, and are making, a significant contribution to the work of the City of London Corporation and that they have added a significant level of added value to the projects under their supervision. I have seen a schedule of the interventions made by the CBB and its Chairman over a period of time, and they convincingly describe timely and well-judged actions followed by impactful outcomes. I have heard a pattern of officers (in several departments) who work closely with the CBB and its Chairman express the view that the Board is an especially effective component of the Corporation's governance machinery. It is almost certainly true that there are moments when the CBB's challenge and detail orientation are not welcomed, but the purpose of this review is to take a view on whether these frustrations are fundamental and an indicator of the need for change, or a more understandable feature of the creative friction between the corporate centre and the services which it supports. I lean towards the second conclusion.
- 7.7 The culture and committee-style approach of the CoLC is for service leadership of major projects and programmes, and to this extent the CBB goes somewhat against the grain of a more devolved and decentralised approach. However, at the heart of the role of the Policy & Resources Committee is a disciplined approach to the overall strategic direction of the Corporation and a focus on ensuring that macro-opportunities and risks are understood and controlled. The Corporation's risk register identifies that the highest risks are seen as the balancing of the city's ambitions with its financial resources. It therefore seems to me that now would be the wrong time to loosen the central expertise and controls on what are very significant capital sums with risk attached – both financially and reputationally.
- 7.8 Potentially, given a continuing remit for the CBB to oversee projects over £100 million, the capacity of the Board could become stretched as the current three projects are joined by

pipeline projects for the Guildhall refurbishment and the Barbican renewal.

- 7.9 In practice, I think this may be less of a problem than it appears to be. In respect of the Salisbury Square development, this project is being well-handled with positive relationships with the Police Authority. It appears to be common ground that this project is well-governed and the heavy lifting for the project is behind us.
- 7.10 Turning to the new Museum's enabling works, which is now nearly complete. The project is properly managed by the New Museum Board which reports to the main Museums Board. The Policy & Resources Committee has one representative on the New Museums Board and CBB has two observers. Effective tripartite meetings take place between the CoLC, the GLA and the Museum itself. In a letter to all Members dated 31st March 2023, the Chairman of the Policy & Resources Committee stated that "the new Museum Board will be the single body responsible for delivering the project with the MoL Board acting as the client body". This is consistent with one of the recommendations from the recent Internal Audit report referred to above and in my view is the proper governance arrangement. In effect, the CBB role in respect to the Museum will conclude during the course of 2023. Accountability for the authorisation of the release of further tranches of funding to the Museum rests with the Policy & Resources Committee which will be informed by the tripartite meeting referred to above, the insight of members serving on the New Museums Board and, when necessary, the CBB. The future call on CBB capacity is therefore very limited.
- 7.11 The third project – Markets Colocation – is at an earlier stage of development, not yet with detailed planning permission, and decisions still to be taken about the potential for a commercial partner and the maximum realisation of the city's acquired asset. I deal with this project in greater detail in the following section on the Markets Board, but I do conclude that this project should be retained within the remit of the Policy & Resources Committee, and consequently the Capital Building Board.
- 7.12 Moving on to the pipeline projects in excess of £100 million, I am somewhat in the realm of speculation because it is not certain if, or when, potential major projects may be in a position to finalise approved business cases which under current arrangements would transfer to the CBB. This depends on a successful programme of asset disposal to achieve capital receipts; the identification of commercial partners (potentially in a joint venture) to share costs, benefits and risks; and the potential for sponsorship, fundraising and philanthropic efforts.
- 7.13 Under these circumstances, it seems to me premature to take a definitive view on pipeline construction projects valued over £100 million. In the case of the Guildhall refurbishment, I expect this would sit within Policy & Resources Committee and the CBB. In respect of the Barbican renewal project, when the feasibility study which has recently been initiated leads to a business case which requires contract expenditure over £100

million, under current arrangements the project would transfer to the CBB. My sense is that as the Barbican Centre Board has successfully developed a personality of its own featuring strong representation from the artistic and cultural industries it might be more analogous to the Museum project. Consideration should be given to the Sponsor Board being a subcommittee of the Barbican Centre Board with representation from the PRC/CBB as in the New Museum project.

7.14 Having endorsed a continuing remit of the Capital Buildings Board, I need to say something about the opinions to the contrary and what might be done to ensure that a creative tension does not become dysfunctional.

7.15 In relation to working practice, I encourage all members to have regard for the 2021 Member/Officer Code which states that:

“it is not the role of Members to involve themselves in the detail of day to day management of the Corporation’s services, employees and workers”; and
“individual Chairs/Chairmen are in the same constitutional position as all other Members, having no legal authority to make executive decisions”.

7.16 In the context of major projects, this means that the Board is the Sponsor Body for the projects under its control but should recognise at all times that the SRO for projects is accountable for the day-to-day decision-making under his/her direction. SROs are responsible to the CBB, and it is essential that their respective roles are recognised and acknowledged by all participants. The Chairman’s authoritative leadership should be leavened by the contribution of other members and indeed officers.

7.17 It has also been said to me that the Board has a pronounced Masonic presence, and that the Chairman’s long tenure in this position has led to this role becoming a fixture. True as these observations may be, they do not generate any improper or unconstitutional practice.

7.18 I conclude that the CBB should continue and that in the immediate future its capacity will not be overwhelmed. Future major projects need to be rigorously assessed on their merits, with business cases submitted to the PRC when it becomes clear that expenditure will exceed £100 million. The governance oversight of these projects needs to be assessed on a case by case basis at that time but, as I have observed, I would expect a strong case for a bespoke arrangement for the Barbican Centre as a globally significant cultural centre with significant stakeholder non-executive membership.

7.19 The current terms of reference of the Capital Buildings Board state that it operates “without recourse to any other Committee”. Given a recommendation that the CBB will be the Sponsor Board for projects within its remit, there is no requirement for this clause going forward. The clause might be seen, in some way, to separate off the CBB from the

Corporation's wider decision-making machinery and in particular from corporate committees which are relevant to the CBBs work, an obvious example being the Audit & Risk Management committee. It would be helpful to remove this clause from the CBBs terms of reference and I have made this amendment to the Board's Terms of Reference in sub-Appendix C – although the Board's current autonomy for relevant property disposals remains in place.

8 The Markets Board

8.1 Alone amongst the three committees named in my terms of reference, the Markets Board is a Grand Committee, reporting to the Court of Common Council. The potential abolition of the Markets Board/Committee has been contemplated for at least 10 years. In September 2013, at the request of members, officers considered the option of abolishing the then Markets Committee and incorporating its role in the Port Health & Environmental Services Committee. In the event, that decision was not taken. Seven years later, Lord Lisvane came to a similar conclusion and recommended abolishing the committee and incorporating its work into a new Property Committee. Again, that decision was not taken.

8.2 The renaming of the Markets Committee to become the Markets Board following the Lisvane report appears an entirely linguistic change without accompanying changes to the ways of working. There may have been an intention to change existing practices, but that has not happened. The Board is a Grand Committee and is therefore a committee, albeit described as a Board.

8.3 The driver for abolishing the Markets Committee is substantially its slender work programme. Lord Lisvane wrote:

"I acknowledge the strong sense of connection that many members of this Committee feel with the markets and their development; but it is a lightly loaded Committee which meets every two months. Much of the routine business can be left to Officers and the consolidation project will fall to the new Property Committee. I recommend that it should be abolished".

8.4 The Markets Relocation programme cannot, of course, be described as "routine business" and I know that the Markets Board feels that it – rather than the Capital Buildings Board - should itself be accountable for this project and that efforts have been made to ensure that the Markets Board has representation on a recently formed subgroup to the CBB, the Barking Reach Group. I understand and respect the expertise and experience that is represented on the Markets Board, and can appreciate their view that it follows that they are the relevant service committee to oversee the relocation programme.

- 8.5 However, the Markets Board as it is currently constituted has a major fault line running through it. This is the evident conflict of interests that exists because market traders are represented on the Board, in one case as a full Board member and in others as coopted representatives of the market traders. Of course, market traders have unrivalled experience and expertise in the operation of markets and I do not question that they are crucial stakeholders. This is their lives and livelihoods, and it would be foolish indeed for the Corporation not to take close heed of their knowledge and experience. This liaison and engagement should take place outside of the formal decision-making process.
- 8.6 The commercial interest of market traders means that they should not be routinely present as contributing members at the Board's meetings and certainly not serve as a full Board member. It is surprising that the Corporation has permitted this situation, as I have rarely, if ever, seen such an obvious conflict of interest in a public sector committee. This evident conflict of interest is a consequence of a decision of the Court of Common Council on 21st April 2022 which determined:
- “that Members who are directors or employees of companies who hold tenancies or licences be permitted to act as Members on the Markets Board”.
- 8.7 The conflict of interest that is built into the structure of the Board is compounded by the lack of care in handling the expression of that conflict. While the opportunity to express interests is utilised at the start of meetings it would not be apparent what those conflicts are to a member of the public listening to the webcast meeting. Such a serious and obvious conflict should be explicitly stated at each meeting in full: but even this would not ameliorate the structural conflict.
- 8.8 The consequence of the interests of market traders being represented on the Markets Board is, inevitably, that their voices drive the agenda for the meetings and the Board's deliberations. For example, at the Markets Board meeting on 8th March 2023 a long discussion took place on free car parking concessions which the relevant officer described (correctly in my view) as being 'Business as Usual' – in other words, a matter delegated to officers which should not be determined by members. Nevertheless, and despite reservations expressed by at least one member, the conclusion of the discussion was that the following meeting should consider the issue within the context of an annual calendar. This is one of several entirely operational issues which the Markets Board considered.
- 8.9 The brief Terms of Reference for the Markets Board states that it has:
- “oversight of the management of all matters relating to Smithfield Market, Billingsgate Market and New Spitalfields Market and the letting of all premises therein”.

8.10 In practice, this means that the Markets Board has adopted a roving brief to challenge and discuss operational matters relating to the Markets. As we have seen, the 2021 Member/Officer charter states that:

“It is not the role of Members to involve themselves in the detail of day to day management of the Corporation’s services, employees and workers”.

8.11 The Markets Board breaches this rule at each of the meetings I have observed in the pursuit of operational detail and what appears to be a wrestle with officers over management control. The Board’s Chairman works as effectively as it is possible within the context and remit that has been given to him. Despite the efforts of the Board’s Chairman and members, the committee has a relentlessly operational focus and indeed is hardwired to achieve this outcome, sometimes developing an interrogative nature in the questioning of officers and a degree of scepticism about their contributions.

8.12 Ideally, Members take a strategic and dispassionate view of the services under their direction. They take advice from professional officers and treat this advice with respect. They are driven by data and evidence. They do not become involved in detailed operational matters. I conclude that the Markets Board is set up to fail in this regard.

8.13 Moving on to the Markets Colocation project, at its meeting on 15th March 2023, the Capital Buildings Board agreed to form a new Barking Reach Group. The proposal which was agreed was for:

“the Capital Buildings Board (CBB) (to) retain overarching responsibility for oversight and delivery of the programme but, through a smaller group of Members, more active participation for detailed discussions and scrutiny of decisions will be enabled, providing assurance to CBB. As such, this option ensures effective Member oversight and leadership whilst providing clear and approved governance to enable agile decision making through the SRO”.

8.14 The membership of the new Group is inclusive, comprising representation from the CBB, the Policy & Resources Committee, the Finance Committee and the Markets Board together with options for external representatives. Its initial meetings are very promising, reflecting the major strategic issues facing the relocation project.

8.15 I conclude that the Barking Reach Group is a well-judged model of working and provides the basis for being the Sponsor Board for this major project. It is currently constituted as an informal working group reporting to the CBB, rather than a decision-making committee with powers delegated to it from the Policy & Resources Committee. The Barking Reach Group therefore guides the SRO and is a sounding board to develop options.

- 8.16 Future options should certainly include the possibility of the Corporation working in partnership with a private company or, conceivably, a relevant public sector agency working in this field. This could be through a form of joint venture or Special Purpose Vehicle which enables risks, costs and benefits to be shared perhaps giving consideration to the setting up of a limited holding company wholly owned by City Cash to sit alongside third-party investors and reassure them that their investments are not being hampered by internal bureaucratic delays. Although such an approach might be a new endeavour for the Corporation, there are many examples of similar approaches in local authorities in London and elsewhere and much good practice and learning from which to draw. Although the detail of what this might look like in practice is beyond the scope of my review, I believe the Corporation is already hitting the ceiling of what can be achieved within its own financial resources, and is ready to consider forming commercial partnerships which can leverage specialist expertise, external finance and risk share. This approach certainly requires a focused group of members to get into the detail of the options and their implications. I believe that the Barking Reach Group is the optimum current forum to do so, possibly acting as the template which might be copied by later programmes as they transition from CoLC projects into projects involving third-party investors.
- 8.17 I have considered whether the Barking Reach Group should report directly to the Policy & Resources Committee and be reconstituted as a formal sub-committee, taking on independence from the Capital Buildings Board. There are attractions to this model – not least because the Barking Reach Group will consider the wider issues around stakeholder engagement, detailed planning permission and potential commercial approaches to the new site which are outside the CBB’s usual remit. On balance, I conclude that the tapering down of CBB workload on the Salisbury Square/New Museum projects should provide the necessary space for the Markets Colocation project and therefore I have not made this recommendation. I believe it would be the sensible option to consider in the future as the BRG develops its involvement with third-party investors.
- 8.18 Returning to the future of the Markets Board itself, we have seen that it has an inappropriately operational focus, and in effect acts as a management committee to the Director of Markets. If members agree that the colocation project should be handled by the CBB together with the Barking Reach working group, I conclude that the time has come for the Court to take what is the logical step which has been under consideration for at least a decade, abolish the Markets Board and transfer the political oversight role elsewhere. The Board’s remit for the strategic oversight of the markets could be transferred to the Port Health & Environmental Services Committee (PHESC) which was the preferred option in the 2013 review referred to above; or to the Policy & Resources Committee itself given that this has responsibility for the Markets Colocation programme. Both options have their merits. The PHESC has a remit which includes a number of similar, frontline services whereas the PRC is of course predominantly a corporate and strategic committee.

- 8.19 Mindful of the operational remit of the markets, and that the PHESC already has responsibility for certain specialist and environmental services including outside of the Square Mile, I conclude that the case for transfer to the PHESC is the stronger one. At the point in the future when the markets have entirely relocated outside the Square Mile, oversight might more logically sit with the Property Investment Board as the markets might be seen wholly as a commercial investment asset.
- 8.20 I recommend that if the Markets Board is abolished, the Barking Reach Group should include amongst its membership two members elected by the Court of Common Council who have recent experience and expertise from recent time served on the Markets Board to provide for corporate memory and the retention of current working relationships.
- 8.21 I fully appreciate that a recommendation to abolish the Markets Board is one that will not find favour with all members. As the Board is a Grand Committee, this will be a decision for the Court of Common Council to take. I hope that the Court will reflect that my recommendation is not a knee-jerk reaction to recent events but has been under consideration for at least a decade. A post-Lisvane effort to reform the previous committee as a board has had no discernable impact. I conclude that if the Markets Board is not abolished now, this is an issue that will not go away and will reemerge (for a fourth time) in the near future. High standards of governance in public sector organisations are a pre-requisite of our national life, and local authorities which have attracted attention for their arrangements have been subject to Public Interest Reports.
- 8.22 I have applied indicative tracked changes to the PHESC Terms of Reference at sub-Appendix D.

9 Service committees and the New Museum Board

- 9.1 Service committees – including the Barbican Centre Board and the Police Authority but also external partner organisations like the Museum of London - have the expertise and experience relevant to their responsibilities and should be responsible for projects within the new framework. They should be empowered to undertake their work with streamlined and proportionate oversight. For Tier 1 projects that will operate under the direct sponsorship of a Member Board, the most successful models that the Corporation has implemented feature a subcommittee operating as a Project Board with a range of internal and external people who bring together the appropriate expertise and experience to manage the project. The City of London Primary Academy Project Board is seen as a successful example of this model. It is important for the streamlined gateway process to be adhered to: for capital building works, the two key decision points are agreement to the business case and submitting the project for planning permission at RIBA Stage 3.

- 9.2 It is also important for service committees to take heed of the wider culture and ways of working that the Corporation as a whole seeks to adopt. In the famous aphorism, ‘culture eats strategy for breakfast’, and in keeping with this spirit I believe that committees occasionally request the continuation of practice which is historic, for example requiring papers “for information” because delegations no longer require decisions to be taken by committee. This is a warning sign that improved and streamlined processes can be unwound by apparently reasonable member requests. The risk is that the significant efforts to modernise and streamline the decision-making process – increasing thresholds of delegation, focusing political decision making on the highest tier of risk and opportunity, eliminating excessive gateway reporting – are undermined by member requests to sustain current ways of working and thereby inhibit the more businesslike approach that is needed. In order to avoid these risks, a certain discipline needs to be adopted – for example, eliminating all “for information” reports. I acknowledge that the Corporation is paying attention to the need for a wider programme of culture change, and this is important for the new portfolio approach to project and programme management to work effectively.
- 9.3 It is equally true that corporate committees must take care not to micromanage responsibilities that have been delegated to service committees and, in the case of the Museum of London Board, should ensure an appropriately strategic and high-level relationship built on regular tripartite meetings.

10 Issues raised in my review that are extraneous to my terms of reference but may be of interest to members

- 10.1 During the course of my review, a number of issues were raised with me which are extraneous to my terms of reference but strike me as important and worthy of note. I have not made recommendations on the issues that follow because they are outside my terms of reference but register them as ones which strike me as important to the future success of the City of London Corporation and to which the Policy & Resources Committee might want to return in the future.
- 10.2 The first of these relates to the importance of inclusivity of all members to put themselves forward for senior elected roles which require significant time commitment. Currently, no Special Responsibility Allowances (SRAs) are paid to members holding office. This has been raised with me in the context of the growing, and welcome, newer members and diversity in the Court and the difficult position this places members who have the will and ambition to hold a leadership role, but not necessarily the financial means commensurate with the time commitment. I appreciate that this issue is currently under consideration with a report being prepared by Sir Rodney Brooke for the Policy & Resources Committee. The City of London Corporation is anomalous currently, certainly to local authority

comparators and although I recognise that this may be a difficult decision for members, it is a nettle that needs to be grasped.

- 10.3 The second is the nomenclature of Chairman of Policy & Resources Committee. Again, this is not a new issue (it was commented on by Lord Lisvane) but it seems to me that it is a question that will keep returning until it is convincingly addressed. The Lord Mayor's position is widely understood externally and internationally, and the title is both historic and also enjoys currency. The same cannot be said of the Chairman of Policy & Resources which is a cumbersome substitute for Leader of the City of London Corporation or other more recognisable descriptor of the Chairman's role. The reason that this is important is that as London and the UK urgently need to raise its international profile in the highly challenging circumstances of 2023, anything which obscures the leadership and external impact of the City of London needs to be addressed. Although I appreciate that the City of London Corporation is not a local authority, the political leader of all political institutions will have a title which unambiguously communicates its position. For example, the Government of Jersey (not a local authority) is headed by its Chief Minister. When promoting the island overseas, it is perfectly clear, immediately, that the Chief Minister is charged with overall political leadership. The title "Chairman of Policy & Resources Committee" does not meet this clarity test, and therefore is worthy of reconsideration.
- 10.4 The third is the skills shortages within both the public and private sectors which will be very familiar to members. The reasons for these skills shortages are numerous and they appear to be a persistent feature of the post pandemic landscape. I note that the Recruitment & Retention of staff has recently been elevated to a Red Risk in the Corporation's Risk Register. Amongst other activities, a current review of pay practice may help the Corporation become as competitive on remuneration as it needs to be, but it is important for members to appreciate that organisational culture is also a crucial factor that will either assist, or inhibit, the city in attracting and retaining key staff. This is of course a key role for the Town Clerk & Chief Executive and his top team, but it is also important for members who provide leadership on this culture. I have noted that the Target Operating Model effectively sidelined considerations of culture, but this remains an important consideration for both members and officers. In any industry, the most talented and capable people will gravitate towards organisations in which they feel trusted, empowered and challenged to be high achievers. This is equally true of the City of London Corporation and merits regular attention and benchmarking.
- 10.5 The fourth is the complexity of the Corporation's three roles reflected in the city cash/city funds/charitable funds distinction. I am sure that the Corporation's finest minds have grappled with how to reflect these different roles in the governance of the organisation, and that the complexity genuinely sets the corporation apart from all other public sector institutions. It is important for officers and members to understand the category that any particular agenda item and paper is set within, if only because the legislation relating to public access to information applies in differing ways. I understand that officers are

encouraged to indicate on the front of committee papers the relevant provenance of the paper – perhaps this should be a mandatory feature of all reports, recognising that some papers will be a combination or hybrid of two or three of these roles.

- 10.6 The fifth and final matter is the coordination of cultural and placemaking strategy. The City has unique cultural and place-based attractions, and of course these are central to the major projects to which the CoLC has committed. Destination City raises the profile and strategic significance of cultural strategy. However, it isn't clear to me how this potential and these commitments are brought together in a collaborative way with all relevant partners. I understand that the consultancy Publica has been commissioned to develop a cultural planning framework to cover the whole of the Square Mile, while a cultural content strategy is being developed to consolidate quality control. These actions are definitely needed – there seems to me to be a gap in the city's strategic leadership of the Square Mile's cultural offer, and the scale of investment that the Corporation is making in culture suggests this needs addressing.

11 Summary – future proposed member oversight of projects and programmes

- 11.1 The City of London Corporation has embarked on an ambitious and far-reaching programme of major projects demanding a governance and organisational framework that is proportionate to the opportunities and risks of these projects. The Corporation's next Corporate Plan needs a sense of urgency to 'catch up' with these commitments in order that the whole organisation can support a unified direction, and to ensure the organisational culture, processes and structures necessary for success.
- 11.2 The new approach to the Portfolio Management Office means that Tier 1 and Tier 2 projects (valued over £5 million) will be overseen by members in the relevant service committee, Capital Buildings Board or (in the case of the New Museum) its equivalent external board. This is the first line of defence.
- 11.3 The Operational Property & Projects Sub-committee – reporting to the Finance Committee – will take an overview of the entire PMO (Tiers 0 to 3) at a high level, utilising a dashboard of metrics to provide members with clear insight into progress. The OPPSC will focus on the process – ensuring that the right skills and expertise are in place at both officer and member levels. The OPPSC will consider how best to ensure multiple committees are adequately sighted on projects where this is relevant, and make any recommendations it may see fit on best practice and the development of a more commercial approach. This is the second line of defence.
- 11.4 The Audit & Risk Committee will continue to review working practices, especially on higher spend/higher risk projects, and report their findings to the relevant SROs and

Sponsor Boards. This is the third line of defence.

- 11.5 Reports to member Sponsor Boards should focus on two key gateway decision points – the proposed business case to initiate the project; and the point of developed design (RIBA Stage 3).
- 11.6 Capital Buildings Board will continue its remit for the Salisbury Square project and the Markets Colocation project. The detailed development of the Markets Colocation project will be overseen by the Barking Reach working group, reporting to Capital Buildings Board. The New Museum project will be overseen by its existing Board with minimal future involvement necessary by the CBB. The optimum member governance of pipeline capital construction projects in excess of £100 million will be considered on their individual merits and circumstances. In respect of the Barbican Centre renewal, the optimum arrangement may be (as with the Museum) a Project Board reporting to the service committee. Conversely, the Guildhall refurbishment construction would remain with the Capital Buildings Board.
- 11.7 The Markets Board will be abolished and its functions transferred to the Ports & Environmental Health committee.

12 Recommendations

- 12.1 I recommend that the Policy & Resources Committee considers the issues raised in my report and, if so persuaded, makes recommendations to the Court of Common Council to abolish the Markets Board and amend the terms of reference for the Operational Property and Projects Sub-committee, the Policy & Resources Committee and the Port Health & Environmental Services committee in line with the four appendices to this report.

13 Closing statement

- 13.1 I hereby conclude my independent review. I have embarked on this review with the utmost commitment to fairness, objectivity, and transparency. My goal was to provide a comprehensive evaluation, considering both strengths and areas for improvement. Through extensive research and consultation with relevant stakeholders, I have strived to offer valuable insights and recommendations.
- 13.2 It is important to note that this review is intended to serve as a catalyst for positive change, promoting robust decision making, efficiency, and excellence. I hope that my findings and recommendations will inspire productive discussions and actions, leading to tangible and sustainable improvements in the areas under review.

13.3 Once again, I express my gratitude for the opportunity to conduct this review and wish to express my sincere thanks to all those who participated in this review or supported its delivery. Your contributions have been invaluable in shaping my understanding and enriching the final outcomes.

Paul Martin
June 2023