

Report – Policy and Resources Committee

Independent Review of Member-related Project Governance

To be presented on Thursday, 20th July 2023

*To the Right Honourable The Lord Mayor, Aldermen and Commons
of the City of London in Common Council assembled.*

SUMMARY

This report sets out proposals for a revised committee governance structure that has been developed in response to an independent review commissioned by your Policy and Resources Committee in March 2023.

The recommendations of this independent review, supported by your Policy and Resources Committee, require changes to the terms of reference of several committees and sub-committees, namely: Policy and Resources Committee, Finance Committee, Port Health & Environmental Services Committee, Markets Board, Capital Buildings Board and the Operational Property and Projects Sub-Committee.

Oversight of Projects is to be discharged by your Finance Committee through a Projects and Procurement Sub (Finance) Committee. Capital Buildings Board remains largely unchanged and would retain oversight for capital projects valuing over £100m. The Markets Board is to be abolished, with their responsibilities transferred to your Port Health & Environmental Services (PHES) Committee. To mark this move, a name change for PHES has been recommended to include reference to the Markets.

With the exception of major capital projects over £100m, it is intended that Service Committees will ultimately have oversight over their own projects, with a revised Projects and Procurement Sub-Committee to receive an overview of the entire portfolio of City Corporation projects at a high level, utilising a dashboard of metrics to provide members with clear insight into progress. This sub-committee would retain the power to call in projects for review.

Following amendments made by your Policy and Resources Committee, responsibility for Operational Property is to be moved from your Finance Committee, to be held by your Policy and Resources Committee and exercised through Resource Allocation Sub-Committee.

Recommendations

That Members:-

1. Note the findings of independent review into project-related Member governance set out in Appendix 1.

2. Approve the following recommendations:
 - a) Service committees are recognised as the sponsoring body for projects and responsible for taking decisions about the delivery of individual projects with the exception of projects over £100m which fall under the authority of the Capital Buildings Board.
 - b) The existing capital projects over £100m will remain the remit of the Capital Buildings Board supported by any sub-Group it may establish.
 - c) The Museum of London new museum project is not a City Corporation project and as such oversight remains with the New Museum Board and any funding issues managed through the tri-partite meetings.
 - d) Changes to the terms of reference for Operational, Property and Projects Sub-Committee, including a revised name, as set out in Appendix 2, to establish it as the oversight body for the new portfolio management approach.
 - e) Reporting line for Operational Property and Projects Sub-Committee should be to a single grand committee namely, the Finance Committee¹, and subsequent changes to the to the terms of reference for Policy and Resources Committee (Appendix 3) and Finance Committee (Appendix 4)
 - f) Changes to the Capital Buildings Board terms of reference as set out in Appendix 5.
 - g) The dissolution of the Markets Board and the transfer of its responsibilities to the Port Health and Environmental Services Committee and the subsequent changes to terms of reference as set out in Appendix 6.
 - h) That the Port Health and Environmental Services Committee be renamed “the Port Health, Environmental Services & Markets Committee” as set out in Appendix 6.
 - i) Changes to the terms of reference of the Resource Allocation Sub-Committee to grant it responsibility for Operational Property, as set out in Appendix 7.

MAIN REPORT

Background

1. A review into governance arrangements for the City of London Corporation’s projects was commissioned by your Operational Property and Projects Sub-Committee and approved by your Policy and Resources Committee in October 2022. This review aimed to assess existing governance arrangements at officer-level and to recommend a future approach that would support an effective and proportionate governance and assurance framework for the delivery of projects across the City Corporation and the institutions.

¹ Should the changes in reporting lines be approved, it will be a matter for the Finance Committee to determine whether it wishes to make any amendments to the composition of the new Project and Procurement Sub-Committee.

2. In the context of this review and triggered by other proposals brought forward in relation to the “Light Touch Governance Review” in March 2023, your Policy and Resources Committee agreed to revise the scope of the Project Governance Review to include a review of Member-related Governance including (but not limited to) Capital Buildings Board, Operational Property and Projects Sub-Committee, Markets Board and other associated committees. This new aspect of the Review, focussing on Member governance, was to be conducted independently by Paul Martin, a former London borough Chief Executive.
3. Mr Martin’s final recommendations are found within his Review set out in Appendix 1; and these were discussed at a meeting of your Policy and Resources Committee on 6 July 2023. This included proposed changes to the terms of reference of your Policy and Resources Committee, Port Health & Environmental Services Committee, Operational Property and Projects Sub-Committee and Capital Buildings Board.
4. At this meeting, several amendments were brought forward. This included revised governance arrangements for oversight of the City Corporation’s operational property portfolio (which is now proposed to be held by the Resource Allocation Sub-Committee); and the transfer of the oversight of projects to Finance Committee.
5. The proposed new terms of reference for all affected bodies are set out in Appendices 2 to 7. Additions are underlined, and deletions marked with strikethrough text.

Current Position

6. Mr Martin undertook his independent review between April and June 2023. Mr Martin met with 28 Members in total, either individually or as part of group engagement sessions. The progress of his work was overseen by a Member Steering Group consisting of:
 - Chairman, Policy and Resources Committee
 - Chairman, Finance Committee
 - Chairman, Corporate Services Committee
 - Chairman, General Purposes Committee of the Court of Aldermen
7. The purpose of the Steering Group was:
 - To oversee the activity of the expert advisor
 - To ensure the review delivers the objectives agreed by Policy and Resources Committee
 - To facilitate engagement with all Members of the Court of Common Council who would like to participate in the review.
8. This Group had no influence over Mr Martin’s findings or recommendations set out in Appendix 1.

9. Alongside Mr Martin's review, [a further report](#) (commissioned as part of the 'original' projects review) was presented to your Policy & Resources Committee and focussed on officer-level project governance². This report contained in-principle proposals for a new portfolio management approach featuring various reporting structures and 'tiers', within which projects will be assessed and escalated into the Member arena, as required. Whilst the current Project Procedure will be retained for a period of 3-6 months as detailed design work is undertaken, this new proposed structure was made available to Mr Martin and so his recommendations make reference to this new system. A final version of the new Project Procedure will presented to Members for decision in due course.

Independent Review Findings

10. Section 11 of Appendix 1 sets out a summary of the proposed Member oversight of projects and programmes. These can be broadly described within three levels of scrutiny, which are modelled on the new portfolio management approach to projects.
11. In time, Tier 1 and Tier 2 projects (valued over £5 million) will allow Members to oversee projects through either, the relevant service committee, Capital Buildings Board or (in the case of the New Museum) its equivalent external board. This is the first level.
12. The Operational Property and Projects Sub-Committee (OPPSC) – reporting to the Finance Committee only – will take an overview of the entire projects portfolio at a high level, utilising a dashboard of metrics to provide members with clear insight into progress. 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 the appropriate 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 level.
13. Beyond that, the Audit & Risk Committee will continue to review the City Corporation's working practices, especially on higher spend/higher risk projects, and report its findings to the relevant Senior Responsible Officer (SRO) and Sponsor Boards. Sponsor Boards will report to its parent service committees will operate as the single Project Board for Tier 1 projects. This is the third level.
14. Reports to Sponsor Boards should focus on two key gateway decision points – the proposed business case to initiate the project; and the point of developed design (Royal Institute of British Architects (RIBA) Stage 3).

² [See item 5b "Project Governance Review – key findings and proposals for new approach", considered and approved by your Policy and Resources Committee on 6 July 2023.](#) Can be made available by request to the Town Clerk.

15. Capital Buildings Board (CBB) will continue its remit for the Salisbury Square project and the Markets Co-Location Programme (MCP). The detailed development of the MCP be overseen by the Barking Reach Group, reporting to CBB. The New Museum project will be overseen by its existing, external, 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.
16. It was recommended that your Markets Board is to be abolished, and its functions transferred to the Port Health & Environmental Services Committee.

Operational Property

17. It was proposed at the meeting on 6 July 2023, and agreed via an amendment, that the Operational Property and Projects Sub Committee's (OPPSC) mandate should be split.
18. Project management and oversight of procurement would remain together and sit under the Finance Committee as they both have clear financial implications. Then, given the resource allocation considerations represented by the deployment (or disposal) of operational property, it was suggested that this responsibility move to the Policy and Resources Committee, to be discharged by Resource Allocation Sub Committee. If proposals are agreed this day, a new "Projects and Procurement" Sub-Committee will be established and would report to the Finance Committee. Operational Property would in turn move fall under Policy and Resources Committee (with oversight discharged via Resource Allocation Sub-Committee).
19. Beyond this division of Projects and Operational Property, a series of administrative corrections that applied consistency across the collection of affected Committee Terms of Reference were agreed, these are captured in Appendices 2-7.

Markets

20. One key recommendation of the report was for the abolition of the Markets Board.
21. Section 8 of Appendix 1 sets out the reasoning behind this recommendation. It lists concerns such as an overly operational focus (in direct contradiction to the Member Officer Charter), a lack of sufficient business and concerns over conflicts of interest.
22. It was suggested that the Board's remit for the strategic oversight of the markets could be transferred to your Port Health & Environmental Services Committee (PHES); or to the Policy and Resources Committee itself given that this currently has responsibility for the Markets Co-Location Programme. Both options had their merits, but PHES has a remit which includes a number of similar, frontline services whilst Policy and Resources is predominantly a corporate and strategic committee. Mindful of the

operational remit of the markets, and that the PHES already has responsibility for certain specialist and environmental services including outside of the Square Mile, Mr Martin concluded that the case for transfer to the PHES was the stronger one.

23. During debate, Members reflected on the Markets as a very successful cultural and financial activity of the City Corporation for several centuries, with a concern expressed by some as to the potential risk of seemingly diminishing its role at such crucial time, and the associated impact on the Markets move.
24. There was no petitioning for oversight of the Markets Co-Location Programme but representation on the Capital Buildings Board and the Barking Reach Group (BRG) is important and seen as a successful model to assist the Senior Responsible Officer (SRO) in exercising their delegations.
25. This matter was debated at length and an amendment brought forward that would see the Markets Board remain in its current form. This amendment was lost, and your Policy and Resources Committee recommendation remains that the Board should be abolished, with responsibilities transferred to Port Health & Environmental Services Committee (PHES).
26. Members discussed the re-naming of PHES to capture reference to the Markets should the transfer of responsibilities be agreed. Authority was delegated to the Town Clerk (in consultation with the Chairman and Deputy Chairman and Members of PHES) to agree the new name.
27. It was consequently agreed under urgency procedures that, subject to this Court's approval, PHES would be renamed "Port Health, Environmental Services & Markets Committee."

Conclusion

28. An independent review into Member-related Project Governance has resulted in a series of recommendations that, if supported, require changes of the terms of reference of four Grand Committees and two Sub-Committees. These changes are set before Members this day for final consideration and for immediate application.

Appendices

Appendix 1 – Independent Review (conducted by Paul Martin)

Appendix 2 – Revised Terms of Reference for the Operational Property and Projects Sub-Committee

Appendix 3 – Revised Terms of Reference for Policy and Resources Committee

Appendix 4 – Revised Terms of Reference for the Finance Committee

Appendix 5 – Revised Terms of Reference for the Capital Buildings Board

Appendix 6 – Revised Terms of Reference for the Port Health & Environmental Services Committee

Appendix 7 – Revised Terms of Reference for the Resource Allocation Sub-Committee

All of which we submit to the judgement of this Honourable Court.

DATED this 6th day of July 2023.

SIGNED on behalf of the Committee.

Deputy Christopher Hayward
Chairman, Policy and Resources Committee