

<b>Committee(s):</b> Project and Procurement Sub Committee Finance Committee	<b>Dated:</b> 15/07/2024 23/07/2024
<b>Subject:</b> Funding for EPMO system	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	1-12
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>Yes</b>
<b>If so, how much?</b>	£1.205m (over 5 years)
<b>What is the source of Funding?</b>	Finance Committee contingency; recovery of cost from departmental local risk budgets
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>Yes</b>
<b>Report of:</b> Al-Beyerty, Caroline, Chamberlain & Chief Financial Officer	<b>For Decision</b>
<b>Report author:</b> Genine Whitehorne, Director Commercial, Change and Portfolio Delivery	

### Summary

A new ePMO system is critical to the implementation of Portfolio Management within the Corporation. This system will provide significant efficiencies in project and programme delivery across the Corporation, enhance compliance as well as directly benefit Members, Chief Officers, project managers and corporate departments. The total cost of the system is £1.4m over 5 years. This cost represents 0.05% of the total current value of the Corporation's projects and programmes.

### Recommendation(s)

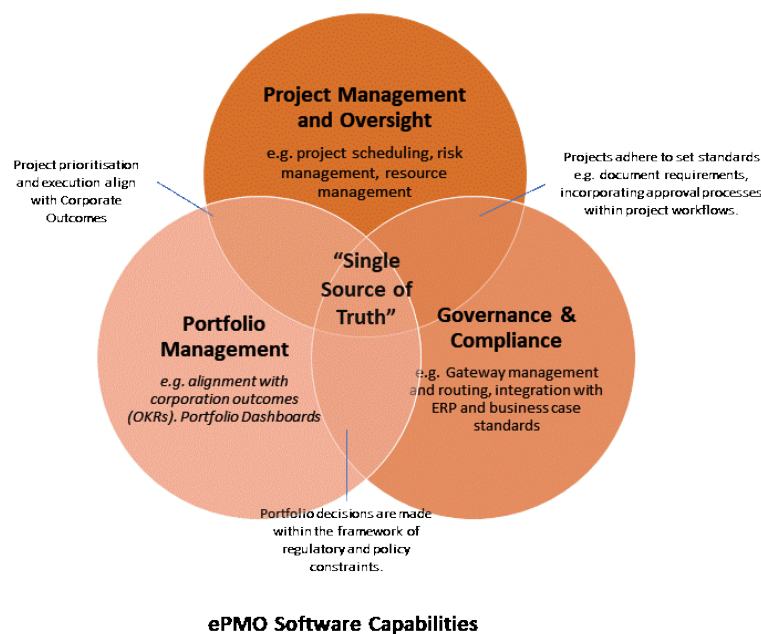
Members are asked to:

- Endorse the implementation of a new ePMO system at a potential cost of £1.405m over five years (subject to procurement)
- Approve the allocation of £145,000 from the Finance Committee, Project Contingency to support the year 1 costs of the new ePMO system
- Note that once procurement is complete the final cost will be reported back to Members for approval
- Note that it is intended that the funding of the additional cost in subsequent years will be met by recovery of costs from projects and existing departmental local risk budgets. The recharges will be agreed as part of the 25/26 budget setting process.

## Main Report

### Background

1. In July 2023, the Policy and Resources Committee approved the recommendation to move to a portfolio management model. The new delivery model will include a refresh of the Project Procedure, investment in skills and training, introduction of a new enterprise-wide Portfolio Management Office (ePMO), establishment of a comprehensive assurance framework, and integration of commercial and project governance.
2. Critical to the implementation of Portfolio Management is a new ePMO system. The new system will provide a replacement for the existing system which is unpopular and has limited capabilities. The current system is characterised by a lack of integration, poor user experience and inefficiencies which hinder its use as the central tool for collaboration, governance and decision making.



3. The EPMO system will contain the 'single version of truth' on the status of projects and programmes. The new system will embed the new project procedure and thereby formalise governance and compliance as well provide efficiencies.

### Financial efficiencies

4. The new system is expected to significantly enhance the Corporation's project and programme management processes. This is an important part of achieving the Brilliant Basics ambition as set out in the Corporate Plan. This will translate into potential productivity gains by:
  - Enhanced project closures - A recent review identified £1.3 million tied up in legacy projects (completed over two years ago) within the MTFP. This extensive manual process highlighted the need for efficient project closure. The ePMO system will streamline this, allowing the ePMO team to track

projects throughout their lifecycle and support project managers in achieving timely completion.

- Enhanced reporting requirements – a systems requirements workshop held earlier this year found that departments are currently spending and estimated 30 person years per annum (approx. £1.7m) on reporting. The ePMO system will automate and reduce a significant portion of what is currently an entirely manual process.

### Stakeholder benefits

Stakeholder	ePMO Features	Benefits
Members	<ul style="list-style-type: none"> <li>• Provides timely and accurate visibility of progress and risks across the entire corporate portfolio</li> <li>• Aligns projects to Corporation outcomes</li> <li>• Aligns investment to strategic priorities</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced strategic oversight and improved transparency</li> <li>• Enables proactive risk management and intervention</li> <li>• Better able to explain to residents the benefits of a project or programme</li> </ul>
Chief Officers and SROs	<ul style="list-style-type: none"> <li>• Embeds portfolio management and prioritisation of projects</li> <li>• Strategic oversight of resources</li> <li>• Clearer accountability and responsibility for delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Provides assurance projects are being well managed</li> <li>• More effective resource management and deployment</li> <li>• Pace of delivery has increased, and cost has reduced</li> <li>• Risks are proactively managed and better able to identify solutions</li> </ul>
Chamberlain	<ul style="list-style-type: none"> <li>• Embeds business case production</li> <li>• Enables reporting of budgeting, forecasting, and tracking actual spend</li> <li>• Integration with the new ERP system</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency of project financials including project spend and use of contingency</li> <li>• Enables early identification of potential financial risks</li> <li>• Improved compliance with financial processes</li> <li>• Enhanced internal system of financial control</li> </ul>
Project Managers	<ul style="list-style-type: none"> <li>• Provides a comprehensive toolkit for project management</li> <li>• Gateway processes are automated and workflows to request approvals automatically generated</li> </ul>	<ul style="list-style-type: none"> <li>• Streamlined processes leading to more efficient decision making</li> <li>• Enables improved teamwork and collaboration across projects</li> <li>• Better understanding of, and compliance with,</li> </ul>

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	<ul style="list-style-type: none"> <li>Embeds related projects together as programmes</li> </ul>	Corporation's governance processes <ul style="list-style-type: none"> <li>Potential productivity gains create greater internal project capacity</li> </ul>
EPMO	<ul style="list-style-type: none"> <li>Single version of the truth for all types of project – innovation, capital and transformation</li> <li>Workflow of gates is automated with approvals</li> <li>Change control processes embedded</li> <li>EPMO has strategic oversight of resources and skills</li> <li>Dependency management between projects and programmes</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced compliance with Corporation procedures</li> <li>Identify high risk projects - enables targeted corporate support and/or audit work to be initiated</li> <li>Improved team working and collaboration across Corporation</li> <li>Lessons learned from project delivery utilised</li> <li>Improved capacity planning within the Corporation</li> <li>Support overall delivery assurance framework</li> </ul>

### Investing in a new system

- The portfolio management implementation team has produced a set of requirements for a new ePMO tool and, following an internal options appraisal, has been engaging with a preferred supplier. These discussions are now at a crucial stage, and we need to be assured that the system can be provided to the Corporation on commercially viable terms and a compliant route to market is identified.
- The anticipated cost of the new system over a 5-year period is likely to be in the region of £1.4m. Whilst a procurement has not yet been run, a breakdown of likely costs is set out below based on the internal options appraisal:

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Licences	£125k	£280k	£280k	£280k	£280k	£1,245k

Configuration	£80k	£80k	-	-	-	£160k
Total	£205k	£360k	£280k	£280k	£280k	£1,405k

7. The figure provided in 2025/26 for configuration is an estimate to allow for integration of the ERP system and to align new processes with the requirements of Tier 0 projects and programmes. Please note figures may be subject to inflationary uplifts in future years, however this would be negotiated and built into the contract terms as part of the procurement process.
8. The current system costs approximately £40k each year funded from the Project Governance budget. It is proposed that this £40k is repurposed to contribute to the cost of the new system. For year one, it is proposed that the cost of implementing and configuring the system should be met centrally as part of the implementation programme. This includes a small carry forward as part of the original project governance programme budget and the requested allocation from the Finance Committee, Project Contingency. Going forward costs will be met through a corporate recharge.

A breakdown of the proposed costing model is below:

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Budget carried forward for implementation	£20k	-	-	-	-	£20k
Existing budget provision	£40k	£40k	£40k	£40k	£40k	£200k
Finance contingency reserve	£145k	-	-	-	-	£145
Recovery of cost from departmental local risk budgets	-	£320k	£240k	£240k	£240k	£1,040k
Total	£205	£360k	£280k	£280k	£280k	£1,405k

## Options

9. Having undertaken a high-level review of systems in the market, the preferred system is considered to be the best option to meet COL requirements, however, there are other systems that would deliver limited improvements in project

management but would not address the wider strategic goals of the Corporation such as necessarily providing financial transparency, routing approvals as well as the implementation of Portfolio Management. However, if funding is not available, the system requirements would need to be reviewed and a more system would more limited functionality could be considered.

### **Next steps**

1. Should the recommendation be approved, a formal procurement process will commence. The next steps are to:
  1. Agree the sourcing strategy and commence tender
  2. Agree the mechanism for recharging projects and departments
  3. Plan the transition and implement the new system – oversight of which will occur through the Project and Procurement Sub-Committee

### **Corporate & Strategic Implications**

**Strategic implications** – an enhanced ePMO system is critical to improvement of project and programme delivery and the benefits that they provide to the City of London

**Financial implications** – the new ePMO system will likely cost £1.4m over a 5-year contract. The costs for year 1 are proposed to be met centrally and include a request for Finance Committee, Project Contingency as set out in the recommendations of this report. Funding for subsequent years has not yet been agreed but will be progressed as a matter of urgency by the Chamberlain's department. Any additional recharges will be agreed with departments and institutions in advance of the new financial year.

**Resource implications** – none

**Legal implications** - none

**Risk implications** – not implementing the new system will put at risk the full implementation of Portfolio Management in the Corporation,

**Equalities implications** – none

**Climate implications** - none

**Security implications** – security requirements (particularly for CoLP) are specified as part of the requirements for the system

### **Conclusion**

A new ePMO system is critical to the implementation of Portfolio Management and will provide significant financial efficiencies and stakeholder benefits.

### **Genine Whitehorne**

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