Herefordshire Council

Supplement to the agenda for

Scrutiny Management Board

Monday 28 October 2024

2.00 pm

Conference Room 1 - Herefordshire Council, Plough Lane Offices, Hereford, HR4 0LE

Herefordshire Council

Title of report: The delivery and management of Herefordshire Council's capital projects

Meeting: Scrutiny Management Board

Meeting date: Monday 28 October 2024

Report by: Head of Chief Executives Office

Classification
Open

Decision type

This is not an executive decision

Wards affected
(All Wards);

Purpose
This report addresses the request from Scrutiny Management Board who wish to understand and scrutinise the delivery and management of the capital projects in the council.

Recommendation(s)
That:

a) **To accept this report and provide any recommendations to the Corporate Director of Economy and Environment to help strengthen project management within the council**

Alternative options

1. To not note the update on the delivery and management of capital projects. This is not recommended as the members of the Scrutiny Management Board have requested this report.

Further information on the subject of this report is available from
Joni Hughes, Tel: 01432 260598, email: Joni.Hughes@herefordshire.gov.ukl

3

Key considerations

2. In 2020, following outcomes of audit reports and the high-profile failure of a capital project in terms of significant budget over spend and programme delay and controls, a review of project management across the Council was commissioned and undertaken by an external consultant.

3. The recommendations from the review included the establishment of the Corporate Project Management Office (PMO) and brought together project resources across the Council to create a centre of excellence for the development and delivery of capital projects and service transformation.

4. As part of the review, task and finish groups were held with service representatives to build a new way of working and a final proposal was agreed to be implemented in July 2021. The following areas were implemented in line with the changes to the Financial Regulations which moved the spend managers for capital projects to Project Managers in the Corporate PMO.

   - A suite of standardised project management templates were rolled out across the council for all PMO staff to use

   - The council's project management system 'Verto' became the central system used to record all project documentation relating to each project to enable a history of the project to be accessible for years to come

   - Anyone who worked on project management were aligned to the PMO

   - A PMO senior project manager was allocated to every capital project

   - A new delivery board framework was introduced to track and monitor all projects

   - An executive programme board was formed to escalate capital project delivery

   - Project Board, task and finish group meetings, delivery boards were set up

   - Management reporting was designed and provided from the verto system to track and monitor progress against each project effectively

   - Project managers provided progress highlight reports against all projects in the capital programme

   - Setting up a central Intranet page to show case each project and its delivery

<u>**The framework**</u>

5. The council has a central project management office that is deployed across the directorates under a matrix management style framework. Project managers are allocated to capital projects under several different delivery boards that are governed by the Directors and in some cases Heads of Service.

6. Each project manager reports into the service lead or senior responsible officer during the life cycle of the project. Once they have finished the project they are redeployed onto another project and their capacity and workload is constantly managed. On average each project manager manages between 4-7 projects depending on the size of the project at any one time and due to the differing nature of projects their capacity is constantly reviewed and managed to make sure we are providing value for money.

7.   The project management office measures progress against delivery by monitoring whether projects are delivered on time and on budget. Capital projects are managed in 3 different stages.

8.   **Stage 1** is options and feasibility. This stage is typically between 1 and 6 months, and this is where you would expect the project to move through Riba stage 1 & 2 and produce a strategic outline case (SOC)

9.   **Stage 2** is the design stage which is undertaken in Riba stage 3 and 4. This is where planning permission is usually sought and the detailed designs are worked up ready to appoint a contractor and produce an outline business case (OBC) and Full business Case (FBC)

10.   **Stage 3** is the delivery stage which is Riba stage 5, 6 and 7 where the asset is physically built, the project digs ground and begins being constructed and then is handed back over to the service who will then occupy or run the asset and the final price is confirmed.

11.   The Riba stages followed to deliver capital projects is an internationally agreed framework which is understood by most organisations that the council work with. The framework can be accessed using the following link. RIBA-Plan-of-Work-2020-PDF-Template.pdf (remars.co.uk)

12.   Typically, the project joins the capital programme at stage 1 where the budget is set. The project work is capitalised at this point, and in some cases feasibility can take time for a number of reasons so we are working through how we can make projects more shovel ready before joining the capital programme but that could have revenue implications for the cost of the work. Its quite often with grant money that there are short deadlines that make it complex to complete feasibility in the normal timescales unless there is a revenue allocation available to draw down for feasibility. The final contracted price can in some cases be a few years after when the budget was first set.

13.   Each project is governed by a central framework, there are weekly task and finish group meetings to track actions, monthly project boards that are then escalated to a delivery board which then escalates to the Corporate Leadership Team.

14.   Each project is assigned a senior responsible officer which is then responsible for tracking and monitoring the delivery of each project against the business case objectives and there is a lead cabinet member assigned to each project who are briefed monthly on the progress of the projects.

15.   Each project has a risk log. This is part of the role of the project manager to document risk and manage the risk throughout the lifecycle of the project. Part of the onboarding a contractor, they provide costed risk logs which are agreed through the procurement process. This allows an accurate risk log to be costed and budgeted for. As the project progresses through delivery the risks are either realised and the budget is off set as planned or they are shut down and the budget remains unspent for them.

16.   The capital programme aligns with the Medium Term Financial Plan (MTFS) during the budget setting process where the implications on the revenue budget for borrowing repayments are accounted for in the MTFS. This is also detailed in the Treasury Management Strategy, to ensure we remain within borrowing limits.

17.   The capital programme sets a budget provision for the projects approved at full council as the strategic priorities for the Herefordshire Plan. The Capital Programme is funded using borrowing, some of which is repaid through savings and reserves. Along with specific grant funded projects such as Disabled Facilities Grant and Schools Maintenance Grant that is allocated annual to be spent on those items. There are also once off Grants such as Stronger Towns and Levelling Up Fund added based on the Grant Awarded.

18. When the capital funding request is submitted to Council and detailed in the Strategic Outline Business Case the full cost to deliver the project is included. Resources can be bought in within that budget to deliver the projects.

19. Revenue implications are considered when deciding whether to proceed with a project by including them in the Strategic Outline Business Case so that before a project is added into the capital programme it is understood what impact this may have on the current revenue budget. All revenue implications should be considered and detailed in the decision to deliver the project.

20. During budget setting the revenue budget implications for repayment of borrowing are assessed and included in the corporate budget and TMS. There is a limit of £6.7m corporate funded borrowing that can be allocated new each financial year along with reinvestment of underspends. Any borrowing above that limit would need to be assessed in the MTFS to ensure the future repayments can be afforded. All this is detailed in the budget setting papers.

21. Any project that was approved based on repaying borrowing from revenue savings will have the budget adjusted to reflect the borrowing repayments and then monitored against the adjusted budget to ensure it delivered those savings.

22. Monitoring of the corporate budget ensures the repayment of borrowing takes place..

23. Every project follows the most appropriate procurement strategy which is outlined in the full business case which provides the final project budget and works are procured at the lowest price and the exact delivery requirements are specified at this stage once the market has been tested.

Overview of the capital programme

24. There are currently 74 projects/programmes in the capital programme with a total budget of £319,570m for the current and next three years unless full council adjust the programme with new requests added in subsequent years. The programme is made up of annual grants and also council prudential borrowing. Some of the programmes like the schools capital maintenance and the property maintenance programmes consist of several schemes that make up the one line in the capital programme.

25. There are 5 delivery boards that track and monitor the work of the projects which are governed by the Senior Responsible Officers which are mainly Directors and Service Directors. The boards are, Growth, Infrastructure, Commissioning, Communities and Transformation.

IT Systems & Partnership Delivery Board (8 live projects) | Community Wellbeing Delivery Board (11 live projects) | Infrastructure Delivery Board (25 live projects) | Growth Delivery Board (27 live Projects) | Commissioning Delivery Board (3 live projects)

Project Management Review

26. Over the last 6 months we have been working with the directorates to align and prioritise resources where they are needed and to look at the skills gap required to successfully deliver capital projects. With the councils' new priorities around people, place, growth and transformation we are confident that we can realign resources by creating a large presence in the E&E directorate under 3 delivery boards, Growth, Infrastructure and Commissioning that mainly focus on delivering capital projects.

27. This review is currently underway and expects to be implemented shortly. A further skills audit will take place to identify the technical gaps, and we will work with the new E&E delivery directors to ascertain how best to procure the required technical skills and will be working closely with the Director of Strategy and Transformation to develop and focus resources on transformation activity including digital transformation.

New ways of working

28. To focus our resources on the cabinets delivery priorities we have moved to the following delivery framework.

29. We believe that this framework positions the councils into a strong delivery position to delivery on the Council Plan and to focus resources where they are needed with the commitment of directors and the team speed up delivery on the capital programme.

Skills Review

30. The approach to project management is standardised in terms of using the Prince2 methodology. A number of project managers (PM) are PRINCE2 foundation and practitioners and also hold APMG Project Management qualifications. We have adopted the qualification frameworks through our standardised processes, roles and responsibility matrix and templates to ensure that the general methodology is followed of these qualifications.

31. The success of capital project delivery in local government is to have a strong client side project manager and to also have strong technical project management. The skills required in both posts are very different although will follow similar methodology.

32. A client project manager is required to facilitate the procurement process, the governance required for capital project delivery which can be an extensive process in order to protect the council's interests in spending large sums of capital money, to manage the stakeholders and communication around the project and to complete most internal council processes required to manage large scale capital projects.

33. The technical project managers role is to provide the technical expertise, to have the knowledge and ability to challenge the technical team and to very often assist with writing the technical commissions to complete the project and then performing the contract management against JCT or NEC4 contracts which is a career in itself. The expertise that the technical project managers provide to avoid project overspend and compensation events quite often pays for the project

management fee. They also manage the risk closely with the contractors to avoid project overspend. It is unusual to find the strong client-side PM having the same skills as the technical PM which is why both roles are essential in successful delivery. They will work together regularly bringing both skills to the forefront.

34. There are varying degrees of resources required in each stage of capital project delivery. The following table provides a flavour of the resources and expertise required to deliver on each stage

Stage	Resources	Cost
Stage 1 (Options and Feasibility)	Client project manager Professional Services team consisting of Architects, planning agents, electrical and mechanical specialists, land agents, drainage team, planners, Property Services Construction, design and management regulation client team (CDM) Stakeholders Legal Procurement	Depending on the size of the project and its requirements this is typically around 10% of the overall project budget
Stage 2 (Design)	Client Project Manager Technical Project Manager Professional Services Team as above Principle Designer Property Services CDM Client Team Stakeholders Legal Procurement	This stage typically costs around 15% of the overall project budget
Stage 3 (Delivery)	Client Project Manager – Light touch Technical Project Manager Building Surveyor	Depending on the size of the project and its requirements this is typically around 10% of the overall project budget

| | Clerk of works | |
	Professional Services Team as above	
	Property Services CDM Client Team	
	Stakeholders	

35. In terms of value for money, our own project management is charged at the PM's hourly rate. Specialised technical provision is procured as a package which is market tested through the procurement process. We know that our procured project management is almost double the cost of our own project management but the comparisons cant be directly made as the procured project management if often specialist and technical.

36. The council has a mixed economy of skills within the PMO office. In the main the project management is the client project manager, however there are a suit of technical project managers in the office which are deployed onto different projects. There is a lack of technical expertise delivering on infrastructure projects. The PMO has commissioned a number of technical roles and teams to assist on projects where needed to fill this gap.

37. The property services team has a skeleton team who help where they can to fill this skills gap but in general the gap is procured in which can be costly. There is also a gap in the construction, design, management regulation (CDM) client team which predominantly consist of, the principle designer and the principle contractor roles. This is a gap within our current structures over the PMO and property services and is under review to develop for the council. Its linked to compliance and regulation and is essential for the council to have in place whether its procured in or becomes part of the council.

38. In some cases the PMO has programme managers in place. This is where there are a number of projects being delivered in one programme, most commonly where the council receives grant money which is distributed over a number of projects within a programme. In this case we have programme managers in place which follow the principles of MSP – managing successful programmes. This qualification is lacking within the workforce presenting a skills gap but there are not many programme managers present in the PMO structure.

Capital Project Governance

39. Capital project governance follows a specific framework in Herefordshire Council to make sure that good governance is implemented to project large scale expenditure and decision making of all capital projects. Full council agree the capital programme budget in February and then each project when in a position to do so requests authority from cabinet/cabinet member to draw down the capital funding allocated to the project. This is normally done in stages to reflect the stages outlined in paragraph 8, 9 and 10 which will determine the money is required at what point which allows cabinet/cabinet member to be part of all the stage gates within the project. This allows members to have visibility of risk and expenditure required and be part of robust decision making which is required with capital projects to ensure that officers are implementing the wishes of members aligned to the council plan.

Tracking and monitoring

40.   We hold all the project information in the Councils adopted project management system which is verto. This is widely used in public sector organisations and has been imbedded into the project management office. Its approved by SWAP and is essential to have all the information in one place for each project. It also is used as a project management tool, providing all the updates and management information required to track and monitor projects.

41.   We track the delivery of all capital projects and provide management information against what that looks like. Below is an example of 2023/24 Q3 Delivery (67 projects completed, these can be many projects within one overall project line reported in the capital programme) the information that is provided and present on the intranet for all to see.
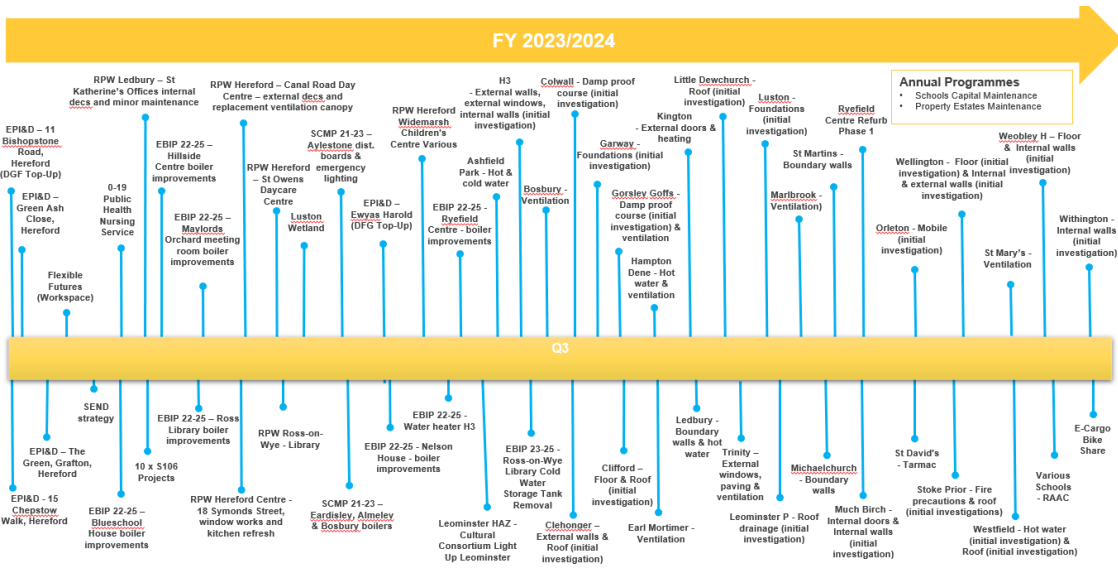
42.   All our project details can be accessed via our intranet and we are working towards a framework to show case the same information on our public internet.

Impact

43.   We are currently running a pilot with the social value engine to track and monitor the impact of our investments. An example dashboard that has been developed for the Museum and Art Gallery is below:
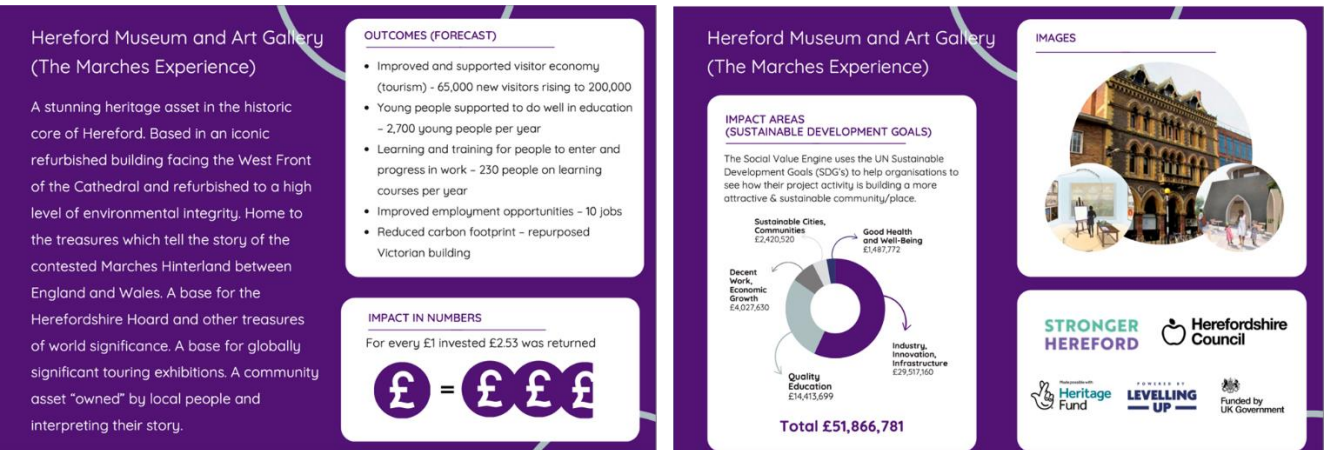
We are expecting to produce one of these for all of our projects and are working towards a communication strategy to enable us to promote this.

Community impact

44. There is direct and in direct impact on all of the residents in Herefordshire in terms of the work of the programme office team. They are deployed on projects delivered by the council that have a significant impact on our communities once they are delivered and successfully up and running.

45. One of the roles of the Client Project Manager is very often to work closely with our community members. There have been instances where external stakeholders that are very close to the outcomes of projects work closely with the council to ensure successful delivery of the projects.

46. All of Herefordshire Councils residents and communities hold an interest in our project work as everything we do touches our communities whether that's building a new school, a new care home or public realm within our towns and city.

47. Our work on Infrastructure, Growth and Commissioning has a direct impact on our residents and communities.

48. Whilst we are refreshing our skills and understanding opportunities we are mindful that we are corporate parents and will promote opportunities where possible for children looked after and in the councils care.

Environmental Impact

49. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

50. This report is to provide an update on how the council delivers and manages its capital projects so will have minimal environmental impact, however consideration has been made to minimise waste and resource use in line with the council's Environmental Policy.

Equality duty

51. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations, and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.

52. The mandatory equality impact screening checklist has been completed for this update report and have low impact for equality at this stage. If in the future it is decided to make changes to the service then a full equalities impact assessment will be undertaken as it will be essential for the council to take into account working environment and use of any new equipment and systems that are suggested to support the change.

53. Due to the potential impact of this update report being low, a full Equality Impact Assessment is not required. However the following equality considerations should be taken into account if there are any future decisions are made that could potentially impact on the service.:

   a. Working Environment, including accessibility and any positive or negative effects on protected groups

b. Accessibility – is our service fully accessible including the systems used and access to buildings

c. An assessment of any previous EAI's done in the past to help in form any future decisions

Resource implications

54. There are no resource implications on this update report.

Legal implications

55. This section is to be completed in its entirety by the legal services team.

Risk management

56. The following table highlights some of the risks associated with the delivery and management of the councils capital programme

Risk / opportunity	Mitigation
Without a project management office in the council you could be at risk of losing a holistic view across the council and dilute the skills and knowledge which is shared in the office to successfully deliver capital projects.	Working together will all directorates to work out where the resources needs to be focued in order to deliver against the priorities of the Council Plan.
There is risk that strategic planning fails to translate to delivery if there are weakneses in the PMO	Currently reviewing the skills and expertise within the PMO and focues resources where the skills match and identifying any skills gaps with a supporting plan around closing the skills gap.
The costs can sometimes outway the benefits in terms of central enabling resources like a PMO	The PMO is under review and value for money is being considered within that review
Without a central PMO framework could present challenges around compliance and quality assurance and put the council at risk	We are reviewing ways in which a central framework is strenghtened within the exisiting PMO structures
Interdependancies of capital projects that can not be influenced like planning permission, telecommunications, draininage, utlities, archeology, habitat surveys	We are working closely with interdependancies to strenghthen relationships and to become aware of possible challenges through harbouring previous eperiences and going over lessons learnt in details so we are more aware of the requirements during the feasibility stage so time constraints can be mitigated where possible.

57.   All risk identified will be managed at a service level.

Consultees

58.   None in relation to this update report

Appendices
None.

Background papers
None identified
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Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published		
Governance	Simon Cann	Date 21/10/2024
Finance	Rachael Sanders – Director of Finance Karen Morris – Strategic Capital Finance Manager	Date 18/10/2024
Legal	Click or tap here to enter text.	Date Click or tap to enter a date.
Communications	Click or tap here to enter text.	Date Click or tap to enter a date.
Equality Duty	Click or tap here to enter text.	Date Click or tap to enter a date.
Procurement	Click or tap here to enter text.	Date Click or tap to enter a date.
Risk	Click or tap here to enter text.	Date Click or tap to enter a date.

Approved by 18/10/2024	Ross Cook, Corporate Director for Economy and Environment	Date

Please include a glossary of terms, abbreviations and acronyms used in this report.

PMO –   Project Management Office
Riba –   Royal Institute British Architects
E&E –   Economy and Environment
CDM –   Construction Desing Management
Q3 –   Quarter 3

SWAP –   South West Audit Partnership
PM –   Project Manager
NEC4 –   Engineering and construction contract
JCT –   Joint Construction Contract
TMS –   Treasury Management System
MTFS –   Medium Term Financial Strategy
SOC –   Strategic Outline Case
OBC –   Outline Business Case
FBC –   Full Business Case