

Scrutiny Management Board  
Herefordshire Council

Paul Walker  
Chief Executive  
Herefordshire Council

Dear Paul

This letter summarises the key findings of the Scrutiny Management Board enquiry into *The Delivery and Management of the Council's Capital Projects* at its meeting of 28<sup>th</sup> October 2024. It is addressed to you in line with section 4.5.44 of the Council's Constitution. I understand you will direct this letter to the most appropriate body.

### **Areas covered by our enquiry**

The committee investigated the following areas with regards to capital projects:

- Governance
- Resourcing
- Efficiency and effectiveness
- Impact and social value

### **Areas of good practice**

The situation has improved since 2021 when a number of changes were made including the creation of the corporate Project Management Office (PMO).

We were aware that in February the Connected Communities Scrutiny Committee enquired into the *policy, prioritisation and delivery of section 106 funding* and noted improvements in this area which were also linked to the work of the PMO. This showed an example of how the council has used resources well to deliver capital projects, albeit at the additional cost to the Authority and the projects themselves.

There have been changes in the governance of project management including the Corporate Director Economy and Environment taking on a range of functions from the previous Director of Resources and Assurance. It will be helpful to communicate these changes to all members once they have been agreed.

The governance of capital projects is complicated and involves different skills and expertise being brought in at different stages. We heard that this is managed through project boards and the timely recording of decisions on the council's Verto system and that this approach follows recommended practice.

Risks are identified throughout the life of the project and contingency budgets aim to ensure that projects will be delivered within budget. Issues that arise within the project will be managed by the project manager and the project board in the first instance. Issues that cannot be managed by a project board will be escalated to the relevant delivery board. If the delivery board cannot manage the issue, it will be escalated to the Corporate Leadership Team. This process replaced the previous process which involved an Executive Delivery Board.

The board was pleased to learn that executive undertakes a process of learning from each project and updates its records and its practice based on this learning.

The executive has undertaken to show more clearly how the capital programme delivers the priorities in the council plan. The committee welcomes this intent and looks forward to seeing it reflected in the draft budget for 2025/26.

### **Areas for improvement**

The executive recognises that there are areas for improvement in terms of the resourcing of project teams.

There is a gap in technical skills related to capital projects within the council. The committee heard that the council is undertaking an exercise to understand more about this gap. The committee hopes that this will not be widened following the recent mutual early resignation scheme (MERS). The committee also hopes that business as usual delivery will not be impacted by the need for specialist skills to deliver capital projects.

Some vital skills (such as quantity or building surveyors, or engineers) are in short supply nationally, and are often supplied to us through the private sector on short-term contracts. This requires the council to balance the cost of employing an individual with the relevant skills but having them available all year round with the cost of engaging a contractor at a higher day rate but only having them available when required.

Another key gap is in skills needed at the start of the project to provide "intelligent client" services, setting expectations with stakeholders and helping us purchase services from suppliers effectively. We heard that in some cases the council engages a company to provide that client-side expertise. We also heard that the council may, in time, expand the current property services function to bring in additional specialist skills.

The executive is also intending to understand the skills requirements of the whole capital programme. Potentially the council could procure skills that may be required

across several projects at the same time, presumably reducing overall costs through economies of scale. The executive is working with Hoople to investigate to what degree Hoople can assist in the delivery of specialist skills.

The committee was interested in how value beyond financial cost and savings was assessed.

The Committee was pleased to hear that the executive has begun a pilot with The Social Value Engine product. This tool has a model allowing the council to forecast the likely social value impact of a project at development stage as well as measuring the social value of a successfully delivered project. If successful, this tool could help with the development and prioritisation of the capital programme. The Committee was supportive of a greater use of social value measures in developing the business case for projects and in their evaluation.

We heard that the executive is taking steps to make progress on all these areas for improvement. The committee welcomes this and looks forward to seeing the impact of these changes in due course.

### **Key recommendations**

The committee has also made some specific recommendations:

1. The executive should take steps to improve all members' understanding of the capital programme and individual projects. In particular:
  - a. the fact that information on projects is made available on the Intranet around individual projects could be highlighted to members,
  - b. the executive should provide information to members on the revised governance processes around projects including showing what types of issues are escalated at each stage.

Yours sincerely

Ben Proctor

Chair

Scrutiny Management Board