

### Capital Programme Governance Internal Audit Report Summary

#### Background and context

The Council plays a key role in investing in the infrastructure of the City and its communities; providing facilities for local people to use as well as stimulating investment to support growth in housing and business premises that provide jobs and opportunities. The Council has an ambitious capital programme over the next five years. A significant proportion of this programme is aligned to large infrastructure investments which aim to support long term regeneration across the city, such as a programme of new house building and developing the Temple Quarter area. This is balanced against areas which will support improvements in on-going Council services such as investing in infrastructure to support delivery of Social Care and Education services.

As per the 2020/21 budget report (February 2020), the Capital Programme over the next five years has a gross budget of £966 million, with an element of this budget which is set aside for in year business case approval. If approval is not obtained the Council plans to redirect funds to ensure maximum available capital investment is targeted to works that begin to address the ambition to make Bristol a more equal, aspirational, and resilient city.

In late 2020 the Council procured a long-term Strategic Partner to accelerate delivery of the capital programme management with the implementation of a centralised, digitised Strategic Partnership Programme Management Office (SP-PMO) to support improvement of programme management of capital projects. This is a long-term Strategic Partnership over a seven-year period. The Strategic Partnership consists of Arcadis, working with Arup and Mott MacDonald, working in collaboration with the Bristol City Council (BCC) Head of Capital Projects and project and programme teams. This work commenced in February 2021 with a 12-week mobilisation phase.

#### Audit Scope

The objective of this audit which was part of the approved 2020/21 Internal Audit Plan was to assess the adequacy and appropriateness of the governance arrangements and decision-making systems that are proposed under the Council's strategic partnership with Arcadis to govern the delivery of capital projects. As this was not a compliance audit, the scope did not include testing of the effectiveness of governance arrangements at Council level. A follow up review focusing on the effectiveness of the new arrangements will be undertaken in 2021/22. Our findings, set out below, are based on conversations with key members of management from BCC and Arcadis and review of documentation.

#### Assurance Opinion

Given the nature of the management of the capital programme the assurance opinion was given on two levels. **Reasonable assurance** opinion was given on the new arrangements that have been developed and are in the process of being rolled out over the projects and programmes that the SP-PMO are responsible for. However, **limited assurance** was provided on the arrangements in place over the Capital Portfolio.

#### Observations and findings:

The SP-PMO governance structures articulated in the Arcadis Strategic Project Plan, Commissioning Manual and SOPs are clear and robust at a project and programme level when considered against industry practice for large and complex capital programmes.

The plans include – for those new projects going through the Arcadis model:

- **Clarity of roles and responsibilities** – The SP-PMO has clearly defined the Governance roles required and the roles and responsibilities within each.
- **Governance structures** – enhanced governance structures including a centralised PMO, which would be expected practice for large and complex capital programmes. It also includes a clear governance model at programme and project level with responsibility for each project clearly defined and recorded.
- **Scrutiny and challenge** – built into the delivery model are clear Stage Gates where approvals are required to allow projects to proceed with clearly defined financial approval limited for different levels of governance. The digital PMO platform also captures project level risks and RAID (Risk, Assumptions, Issues, Dependencies) assessment have been established to enable more robust monitoring of risks.
- **Realistic project plans** – The Delivery Manual details a Delivery Framework, which includes the seven stages of a project lifecycle and six specific Stage Gates through which each project has to pass in order to progress. These ensure the effective review of project plans and their progress. Projects will only be allowed to go through the SP-PMO workflow if they meet the initial Commissioning requirements including a clear project brief and signed off benefits, and engagement with key Council Stakeholders (legal, finance, procurement, Executive Directors) to ensure that the project is appropriately defined, planned and approved. The project will then move in the SP-PMO workflow and fall under the reporting and monitoring workflows for future oversight and scrutiny.
- **Tools and systems** – the centralised SP-PMO that is being developed is digitally enabled, allowing data for programmes going through the SP-PMO model to be captured and maintained on a live basis to support real time reporting and monitoring.
- **Clear accountability** - projects and programmes have an identified and named responsible officer, to ensure that there are clear accountabilities. In addition, the Delivery Manual outlines the individual responsibilities through a summary Terms of References for the individual Delivery Boards including the Programme and Project board, project Sponsor, Strategic Partner, Project Manager, Client Lead etc.
- **Monitoring and reporting**: ongoing, real time reporting of financial and non-financial (actions, milestones etc) data pertaining to individual projects using a series of standard dashboards. Discussions highlighted that a lack of good quality MI has historically been a key gap in effective Capital planning governance. Programme and Project Reporting is to be delivered digitally using a series of standard dashboards enabling standardised reporting practices. This includes a monthly consolidated Highlight Report / Dashboard provided to the Growth and Regeneration Board. The information is put together using a RAG-rated standard template by all project managers which enables a clear standard in terms of the information reported up to senior management.

The **key findings** from audit are summarised as follows:

1. There is a lack of a documented plan to incorporate the whole capital portfolio in the new governance arrangements. The SP-PMO is a centralised PMO, which is good practice for a large, complex capital programme. However, the PMO's focus is at project and programme level, rather than taking a holistic portfolio approach.
2. The Arcadis Quality & Assurance Standard Operating Procedure (SOP) outlines that assurance over projects will come from a variety of activities, including 1st Line

(within projects), 2nd Line (PMO) and 3rd Line (internal and external audit). This assurance model is focused on individual projects and does not reflect the required independent assurance that is required over the whole capital portfolio.

3. The RAID Management SOP document highlights that the first level of escalation for significant risks is from the Project Manager to the Project Sponsor. Escalation beyond this is the Project Sponsor's responsibility. While the document suggests that significant issues may be escalated to senior Council management where resolution is not obtained at Project Board level, the guidelines do not clarify the situations where issues are required to be escalated to the Capital and Investment Board (CIB) and Delivery Executive (DE). Whilst the DE has responsibility for exception reporting it is not mentioned as part of the risk and exception reporting framework in any of the documents produced by the SP-PMO.
4. The Commissioning Workflow process detailed in the Commissioning Manual highlights Benefits Review at Stage three of a ten stage process. The Council's Capital Programme Benefits Realisation Strategy is said to be developing. However, Stage Three is not a mandatory stage for all projects, suggesting that not all projects will be reviewed for the potential benefits to the Council at the outset.
5. Discussion with key stakeholders and review of the BCC/SP-PMO Delivery Manual and Capital and Investment Board and Delivery Executive Terms of Reference identified a lack of clarity regarding which governing body is responsible overall for benefits realisation/ monitoring and evaluation beyond the project team.
6. The Council's plans currently include no mechanisms to ensure that project aims align with wider council priorities. We understand that the Capital and Investments Board will have overall responsibility for ensuring that the Capital Plan aligns with wider Council objectives. However, at a project or programme level, we would expect to see this alignment implemented through key performance indicators monitored by project managers for example.
7. The Strategic Plan generated by BCC/ the Strategic Partnership PMO outlines plans to train staff delivering projects via the Strategic Partnership during the last two weeks of the mobilisation period (April 2021), in advance of project delivery commencing on Day 1. Training plans are rightly developing as mobilisation progresses, but the plans do not yet include further details of centralised guidance/ training for the duration of the project timeline or regular refresher training in the long-term for new programme managers.

### **Management Response**

The findings from this audit have been discussed and agreed with the relevant senior managers who have developed a detailed action plan. Consistent with our methodology, this area will be subject to a detailed follow up in Quarter 3. Some of the agreed key actions from this review are:

- Head of Capital Projects to ensure that 3<sup>rd</sup> line assurance is incorporated into governance of the capital programme.
- Stage 3 Benefits Review to be mandatory for all projects and the delivery template to be updated to remove ambiguity.
- Appropriate forum for Benefits Realisation Management to be identified.

- For all new projects in the capital programme/ portfolio benefits should be articulated in the Mandate, for approval by Capital Investment Board (CIB) and this process should be mandated for all projects.
- Strategic partner KPIs have been drafted – these are being used now for contract management and alignment with wider council objectives.