

# Public Document Pack



**BARRY KEEL**  
Chief Executive  
Floor 1 - Civic Centre  
Plymouth  
PL1 2AA

[www.plymouth.gov.uk/democracy](http://www.plymouth.gov.uk/democracy)

Date: 08/12/09 Telephone Enquiries 01752 307815 Fax 01752 304819  
Please ask for Katey Johns, Democratic Support Officer e-mail [katey.johns@plymouth.gov.uk](mailto:katey.johns@plymouth.gov.uk)

## **AUDIT COMMITTEE TO FOLLOW REPORT**

**DATE: FRIDAY 11 DECEMBER, 2009**  
**TIME: 10.00 A.M.**  
**PLACE: COUNCIL HOUSE, PLYMOUTH (NEXT TO THE CIVIC CENTRE)**

### **Members –**

Councillor Sam Leaves, Chair.  
Councillor Vincent, Vice-Chair.  
Councillors Stark, Thompson and Tuohy.

### **Independent Members –**

Mr. R. Clarke  
Ms. L. Myles  
Mr. I. Stewart

PLEASE FIND ATTACHED A REPORT FOR CONSIDERATION UNDER  
AGENDA ITEM NO. 13.

BARRY KEEL  
CHIEF EXECUTIVE

## **AUDIT COMMITTEE**

### **13. PROJECT MANAGEMENT ARRANGEMENTS**

**(Pages 1 - 12)**

The City Council's External Auditor, Grant Thornton, will report on Project Management Arrangements.



Grant Thornton

## Project Management Arrangements

Plymouth City Council

30 November 2009

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## 1 Introduction and background

- 1.1 Sound project management is an essential management process for achieving corporate goals - this applies whether it is implementation of new systems and processes or capital developments. Council projects that are completed on time, within budget, and according to planned aims and objectives ensure best use of resources as well as demonstrate effective business management. Conversely, poor project management is a major risk, leading to ineffective use of resources as well as having a detrimental affect on achieving corporate and partner objectives.
- 1.2 Plymouth City Council has a significant capital investment programme for the locality, including the "Building Schools for the Future" programme, the LIFE centre and local regeneration schemes and, as such, it needs to ensure that there are robust project management arrangements in place so that objectives are delivered in a timely and cost-effective way. In addition, there are other aspects of the Council's work that also benefit from a project management approach, in particular the effective delivery of some of the other elements of the 14 Corporate Improvement Priorities (CIPs).
- 1.3 The CIPs reflect the diversity of the Council's operations and the change requirements therein. It is therefore considered unlikely that a single approach to project and/or programme management would necessarily be appropriate.
- 1.4 We have undertaken a broad review of corporate project management arrangements to assess whether best practice has been adopted and whether the Council has sought to make best use of its resources. We have focussed on elements of the achievement of corporate improvement priorities as well as the "Building Schools for the Future" programme.

## 2 Key findings

### *Corporate improvement priorities*

- 2.1 The City has a longer term Local Strategic Partnership (LSP) vision for the year 2020 and the Council's Corporate Plan contains those projects implemented by the Council in support of the City and the Council goals. The Corporate Plan is focussed on 14 corporate improvement priorities (CIPs), and these CIPs are grouped into the key corporate themes of improving the customer experience, improving the City and improving the Council.
- 2.2 The Council manages and monitors the progress of each of the CIPs using a bespoke project management approach. Each CIP is managed as a programme, and within each CIP programme there are a number of projects. The Corporate Management Team (CMT) acts as a programme board for monitoring purposes, and regularly considers progress with each CIP at one of its fortnightly meetings. Project status reporting and milestone reporting is undertaken for each CIP and is reported through the Council's performance management system.
- 2.3 The Council also has a Transformational Change Programme Manager in place, who has overall responsibility for the management and delivery of programme milestones and outcomes for the 14 CIPs, and who provides support for those involved with each CIP programme, and for projects within these CIP programmes.
- 2.4 Each CIP has a project initiation document (PID) and, within each PID, there is:
  - a project brief (including a description of the key improvement areas, key performance measures, targets and target completion date);
  - an organisation chart, which identifies those in the project team;
  - a communication plan, which identifies key project stakeholders, the expected communications and the frequency;
  - a risk log with scored risks and a statement as to how the risks will be managed;
  - a statement of project constraints and dependencies;
  - key project assumptions, such as resources being available;
  - a financial budget (revenue and capital) and the broad timing of any budget requirements; and
  - a project plan.
- 2.5 Each project has assigned to it, amongst other key roles, a sponsor and a stakeholder. Some officers may be a sponsor for one CIP as well as a stakeholder in others. For

example, for CIP 8 (Improving skills and educational achievement) the Principal Advisor (Achievement 0-19) is the sponsor, but he is also a stakeholder in CIP 9 (Developing high quality places to learn in). These two CIPs have a connection in that the Council has recognised that good schools and other children's settings are at the heart of the communities they serve and that improving skills and educational achievement can be achieved, in part, by having good quality buildings in place. The approach being used by the Council demonstrates its understanding of the inter-relationships between the delivery of priorities and seeks to allocate resources effectively in order to achieve the optimum co-ordinated outcomes for each area.

- 2.6 Within each CIP, individual projects have key "milestones" - these are the key delivery points within each project, and on which the success of each project is dependent.
- 2.7 Overall, we conclude that the Council has a sound programme and project management approach in place to deliver its CIPs.
- 2.8 We have noted, however, that the level of detail provided within each PID is different for the sample of CIPs that we looked at - for example, the clarity of the project risk issues and the robustness of the description of the mitigating arrangements.
- 2.9 The CIP risk logs need to be underpinned by robust and comprehensive risk management arrangements but we found that, whereas CIP 4 includes some detail as to how potential risks will be addressed, some of those in CIP 9 seem a little less well defined. However, we understand that risk management standards are in place such that if risks impact on others or require others to be involved in managing that risk, then they are documented and managed within project/programme teams.
- 2.10 We also understand that, for CIP 9, two half-day workshops on risk analysis have been undertaken in which officers from across the Council have been brought together to consider the risks and define mitigation and assign owners and sponsors to each risk.
- 2.11 In considering the project management arrangements in place for achieving the CIPs, we have also sought to establish whether those arrangements are effective in practice. We understand that, during 2008-09, about 50% of the project milestones within CIPs were not achieved on time, and a number of issues, including poor planning and the lack of measurable outcomes, were identified as causes.
- 2.12 This indicates that there may be an issue about how successful CIP project management and sponsorship is in practice. In some cases, risks and issues are raised and, where they are particularly complex, remain unresolved and are only closed when the milestone is completed. The implication is that, in some cases, the milestones are unnecessarily delayed and/or outcomes compromised. For example, CIP 9 maintains on its risk log three risks identified in May 2009. These should have been dealt with by now, or deemed not relevant. We therefore **recommend** that the Council ensures that risks identified within CIP project management are more actively managed.
- 2.13 The role of the sponsor is important in ensuring that the "end-product" of the programmes and projects meets corporate requirements. However, it is not clear to us that this role has been definitively described, nor that the Council can demonstrate that all sponsors are working to the same standards, despite externally facilitated

expert training undertaken in 2008. We **recommend** that the Council implements a more compelling way of reaffirming and measuring the role of the sponsor and holds sponsors to account for the changes they are sponsoring. Thus, the cost and energy of the effort going into change management should yield more outcomes.

- 2.14 We recognise, of course, that those involved in the project management of each CIP will not necessarily be experts in project management, hence the support and direction of the Transformational Change Programme Manager.
- 2.15 Nonetheless, we **recommend** that the Council reviews whether current CIP timescales and milestones conform to SMART principles and whether it has committed sufficient resources to project management of the CIPs.

*Building Schools for the Future*

- 2.16 We have also reviewed the project management arrangements in place for capital schemes, using the Building Schools for the Future (BSF) initiative as a focal point.
- 2.17 BSF is a Government initiative which was launched in 2003 for capital investment in school buildings in order to support educational transformation across England through to 2020. BSF funding is a mix of private finance and conventional public sector funding.
- 2.18 A new body, Partnerships for Schools (PFS), is supporting the Government in selecting areas to receive investment, developing innovative and effective models to streamline procurement and creating long-term public-private partnerships to deliver the programme across the country. The Council has submitted a BSF "expression of interest" which includes an assessment of its readiness to deliver and a needs analysis exercise of the entire school asset stock. The Expression of Interest, submitted in November 2009, was assessed and as a result the Council was placed as "number one priority" for the country in the initial projects. In May 2009 the Council submitted its Readiness to Deliver statement and currently awaits a Government announcement.
- 2.19 For the Council, delivering BSF links directly to the Investment for Children Strategy (2008), and also links to several of the CIPs.
- 2.20 Each of the six major schools projects has a project board with a nominated chair and progress reports are considered at every project board meeting. In addition, a pre-project board meeting is held which includes project and programme managers, and at which detailed discussions are held on the project timetable and any project risks. Each scheme project board reports to a corporate programme board, which is chaired by the Chief Executive.
- 2.21 However, in demonstrating its "Readiness to Deliver" document to PFS, the Council is required to ensure that governance arrangements for control of the BSF project are in place, and the Cabinet has recently agreed proposals from the Schools PFI Board, involving:
- creation of a BSF Cabinet Committee, with delegations to that committee as well as a Project Owner and Project Director;
  - creation of a BSF Project Executive, advising and supporting the Project Owner; and



- creation of a BSF Project Team, advising and supporting the Project Director.

2.22 It is considered by the Council that implementation of these arrangements will ensure readiness to proceed with its involvement in BSF.

2.23 At this stage, we have no specific recommendations in respect of the arrangements for BSF.

*Project management methodology for capital schemes*

2.24 We understand that the Council has adopted a local project management methodology for capital schemes, based on PRINCE2 principles but which is regarded as more straightforward to use. Locally, this is seen as a more appropriate and relevant way to undertake project management, and the detailed approach is currently being refined. It lays out clear guidance for identifying the need for a project, defining it and ensuring that, amongst other issues, appropriate arrangements are in place for governance and project control. We understand that a shortened version will also be developed for capital schemes valued at less than £100,000, though all capital schemes will continue to require CMT approval.

2.25 We also understand that it is proposed to develop a centralised corporate project management service, which will cover all relevant Council capital projects not already included within transport, housing (now transferred to Plymouth Community Homes) and schools (now included in the Building Schools for the Future initiative), for which alternative arrangements are being put in place.

2.26 We have not reviewed the arrangements for managing capital schemes developed with partners. We recognise that failure to complete such projects on time or on budget may be due to circumstances that are outside the control of the Council. Nonetheless, the impact of this needs to be reflected in corporate risk management arrangements and there is an opportunity for the Council to consider whether its own project management expertise is being, or can be, used to support partners in some way.

2.27 However, an outstanding issue is the extent to which the Council monitors whether its own capital schemes are coming in on time and on budget. So far as we can establish, the focus for corporate capital monitoring has historically been on finance and, principally, in ensuring that the agreed annual capital allocation is spent. Our understanding is that the financial implications of any scheme slippage is generally accommodated by starting new schemes from the capital programme.

2.28 However, it is not clear as to the extent to which there has been any specific focus amongst members on whether individual capital schemes have been completed on time and on budget, or whether there has been any retrospective review to assess whether this has been achieved. It does not appear to be considered within the corporate Joint Finance and Performance Report and no evidence has been provided that demonstrates that this is a key monitoring issue for members, though we recognise that the Council acknowledges that the key aims of good project management are to ensure that projects come in on time, on budget and meet the stated objectives.

2.29 Whilst we recognise the importance of ensuring that any agreed annual capital allocation is spent, we **recommend** that the Council implements a process which enables it to consider the extent to which capital projects, for which it has sole responsibility, are being completed on time and on budget, with the planned benefits

delivered, and to understand the reasons on those occasions where this is not achieved.

- 2.30 We understand that the Council's non-BSF capital project monitoring and management arrangements are presently being enhanced, with strategic capital management issues falling within the remit of CMT, the creation of a new Capital Delivery Group (currently the Capital Working Group) which will focus on detailed delivery and monitoring of progress, and implementation of a Capital Investment Programme Board (currently the Capital Programme Board).

*Other issues*

- 2.31 We have noted that one of the key elements in the project management of CIPs and capital schemes is the use of the "gateway" review. A "gateway" review is a means of providing improved controls over a (usually major) project and allows examination of the project at critical stages in its lifecycle to provide assurance that the project can progress successfully to the next stage.
- 2.32 Gateways are used in project management as a form of one-way "integrity check" to align resources with the benefits to be delivered and the timescales of the project. Subsequent to a gateway, should changes occur in those factors, the project would need to re-visit that gateway. The gateway process is usually undertaken by experienced people, independent of the project team, in order to validate progress or make recommendations for improvement before the project moves to its next stage. A gateway process is seen by the Council as particularly important, given that CIPs are presently being delivered by staff with minimal project management experience.
- 2.33 For major capital projects, the Council has established four key gateways, identified as Gateways 1, 2, 3a and 3b. Gateway 1 focuses on the project justification and provides assurance that the need for project expenditure is valid. Gateway 2 aims to provide the client and project director with assurance that the most cost effective approach to implementation has been selected. Gateway 3 confirms that appropriate design reviews and approaches have been undertaken and that the recommended final proposal is appropriate.
- 2.34 However, we have also identified that a gateway methodology is being used within the CIP programme, though with five stages. It is not clear to us how, or if, these align with the gateway methodology being used to drive capital schemes.
- 2.35 Whilst accepting that different approaches might be used, there seems to us to be benefit in at least considering whether having a common gateway methodology across the Council would make it easier for participants, particularly for those users for whom project management is not their principal calling. This common approach may involve sub-stages, to reflect the specific circumstances of an individual project, but these should tie back to the main stages. We therefore **recommend** that the Council considers its arrangements for establishing project gateways so as to ensure common understanding and use across the organisation and to enhance consistency, whilst maintaining local flexibility for individual schemes.
- 2.36 As we have highlighted earlier, the Council is adopting more than one approach to project management. The PRINCE 2 project management principles are being adopted for all capital schemes, including those with partners. Project management of CIPs is based on a more generic, "light-touch" programme/project management framework, which has all the key elements but without the administrative burden.

- 2.37 We have no concerns over the adoption of different project management methodologies for different circumstances, though we consider that the Council would benefit from limiting the number of approaches to project management, in order to ensure some consistency and to minimise risk.

## A Action Plan

Recommendation	Priority	Management comment	Officer responsible	Implemented by:
The Council ensures that risks identified within CIP project management are more actively managed.	High			
The Council implements a more compelling way of reaffirming and measuring the role of the sponsor and holds sponsors to account for the changes they are sponsoring.	High			
The Council reviews whether current CIP timescales and milestones conform to SMART principles and whether it has committed sufficient resources to project management of the CIPs.	Medium			
The Council implements a process which enables it to consider the extent to which capital projects, for which it has sole responsibility, are being completed on time and on budget and to understand the reasons on those occasions where this is not achieved.	High			
The Council considers its arrangements for establishing project "gateways" so as to ensure common understanding and use across the organisation and to enhance consistency, whilst maintaining local flexibility for individual schemes.	Low			



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