

## Analysis of Key Corporate Risk 7 – Capital Programme

1. This Annex provides a more detailed analysis of KCR7, Capital Programme.
2. The description of this risk is as follows; **Failure to deliver the Capital Programme, which includes high profile projects.** The capital programme currently has a budget of £615m from 2019/20 to 2023/24 at Monitor 1. The schemes range in size and complexity but are currently looking to deliver two very high profile projects, the Community Stadium and York Central, which are key developments for the city.

### Risk Detail

#### Complex projects with inherent risks

3. The 2019/20 to 2023/24 capital programme has a number of major schemes, including;
  - New investment in Housing of £106.022m over the next 5 years, £96.450m of which relates to the Local Authority Homes New Build Project
  - Increased investment of £35.055m in Transport schemes over the next 5 years including areas such as the Clean Air Zone, York Outer Ring Road Dualling (£28m) and the Local transport plan road safety scheme.
4. Other major individual schemes set to deliver significant outcomes for the city include York Central (£155,000m), Community Stadium (£10.143m) Guildhall (£17.8m) and York Castle Gateway (£2m).

#### Large capital programme being managed with reduced resources across the Council

5. Due to reductions in government funding the Council has made significant savings of £105m over the last 10 years, which has inevitably reduced staff resources.
6. The latest capital budget for 2019/20 to 2023/24 agreed by Council in February 2019 included £185.898m of new investment over the 5 year period.

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Increase in scale of the capital programme, due to major projects and lifting of the borrowing cap for Housing

7. In recent years the capital programme has increased significantly. The table below shows the total 5 year capital programme approved by Council for each of the last financial years.

	2019/20 to 2023/24	2018/19 to 2022/23	2017/18 to 2021/22	2016/17 to 2020/21	2015/16 to 2019/20
Total capital programme (£000)	579,762	314,611	215,036	180,206	187,019

### Implications

8. The implications for the Council include;
- Additional costs and delays to delivery of projects
  - The benefits to the community are not realised
  - Reputational Damage

### Controls

9. The controls in place include;

Project boards and project plans for major schemes

10. Consistent with the guidance in the All About Projects (AAP) framework, each of the Major projects reports to a Project board. All these boards operate within the mechanisms set out in the constitution of the Council. The boards for each of the Council's Major projects are included in the Corporate highlight report;  
<https://data.yorkopendata.org/dataset/major-projects-highlight-reports>
11. Each major scheme has a project plan in line with the AAP guide which is covered in further detail below.

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### Regular monitoring of schemes

12. Each of the council's major project managers has a Verto account and each month the project managers submit a highlight report through Verto. All of the council's large projects have a risk register recorded on Verto.
13. These reports are presented to the Council Management Team (CMT) which convenes on a monthly basis as the Programme Board. In this way, CMT has sufficient oversight of key risk areas relating to project management. These reports are published on the Open Data Platform, available on the link above.
14. Project management of larger capital schemes is also considered by the council's Directorate Management Teams (DMTs). In addition to its DMT, the Economy and Place (E&P) directorate has a Major Project Interface Group which meet regularly. This provides additional coordination between projects, ensuring that dependencies are managed.
15. The Project Assurance Group (PAG), which fulfils a second-line function within the council's project management framework in providing oversight of the corporate programme, meet on a monthly basis. A representative from each directorate attends this meeting along with the Project Assurance Officer.

### Capital programme reporting to Executive and CMT

16. The capital programme is reported to CMT and Executive quarterly. The report sets out the projected outturn position including any variances from budget and adjustments in the budget. Requests to reprofile budgets to or from current and future years are also included, as these must be approved by Executive.
17. Major Capital schemes such as York Central, Community Stadium, Guildhall and York Castle Gateway have provided various reports to Executive. Further details of the Executive reports are listed in the highlight reports, which are reported on the open data platform as detailed in paragraph 13.

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### Financial, legal and procurement support included within the capital budget for specialist support skills

18. In the capital budget setting process, managers are required to submit proposals for new schemes, taking account of budget, resources and benefits to be realised.
19. Where appropriate finance, legal, procurement or other specialist skills are included in the larger capital schemes from the outset to ensure that schemes are correctly resourced and budgets are accurate.

### Project Management Framework

20. The Council's Project Management Framework includes the All About Projects (AAP) guide, its project management system (Verto) for storing project information and the Introduction to Project Management training delivered by the Workforce Development Unit. In 2016, the council's management team agreed to act as the corporate programme board, meeting every two months. This work is supported by programme leads from each directorate.
21. The AAP guide is readily available to all staff via the council's intranet site. In addition to the AAP guide, a user guide tailored to the council's Verto setup and to its project management framework has been produced and covers the key functions that need to be performed by project managers to progress through the gateways in the system.

### Additional resource to support project management

22. In the 2017/18 budget additional growth was included for a Project Assurance Officer post, to strengthen the project assurance function. This function aims to decrease risk in terms of project visibility and interdependencies and to provide support to project managers.
23. The Project Assurance Officer coordinates the Project Assurance Group (PAG) which meets monthly. This group provides training and other support to project managers.
24. All project managers within the recent intake of new Verto projects have been given user orientation training by the Project Assurance Officer.

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25. There were two PRINCE2 training courses delivered during 2018 available to major project managers to enable them to successfully run large, complex and high-profile projects.

### Capital Strategy 2019/20 to 2023/24 approved in Feb 2019

26. The latest Capital Strategy report was approved by Council in February 2019. This sets out the 5 year programme, including new investment based on council priorities and how the schemes will be funded.

### NEW: A&G agreed there was sufficient assurance in relation to governance of major projects

27. Detailed reporting of major projects, in a format similar to the highlight reports mentioned above, used to be reported to A&G on a quarterly basis. In September 2017 A&G agreed that they were satisfied with the governance arrangements in place and reporting of major projects to A&G was no longer required.

### NEW: Internal Audit Report gave reasonable assurance on project management arrangements

28. The purpose of the audit was to provide assurance that procedures and controls were in place to ensure that:

- Effective project management guidance is in place and has been adopted by those involved with projects.
- Project information is available and retained to support decisions.
- Projects have adequate governance and risk management processes embedded into them.

29. The audit concluded that the council's approach to project management has seen significant improvements since the arrangements were last fully audited in 2015/16 but there are still some improvements that could be made. The overall opinion of the controls within the system at the time of the audit in June 2019 was that they provided reasonable assurance.

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### **Outstanding Actions**

30. The development of the Capital Strategy for 2020/21 to 2024/25 is set to be completed by 31/1/2020, for approval by Council in February 2020.
31. NEW: Implement improvement actions from recent audit report

### **Risk Rating**

32. The gross risk score is 20 (likelihood probable, impact major). After applying the controls detailed above the net risk score is reduced to 14 (likelihood possible, impact moderate).