

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 9 February 2021

**Subject:** Capital Programme & Projects Review 2020/21

**Report of:** The Deputy Chief Executive and City Treasurer

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**Summary**

This report informs Members of:

- (a) Progress against the recommendations made by Local Government Association (LGA) external review of 2018.
- (b) Summary of Internal Audit reviews on Capital Programmes & Projects since 2018.
- (c) The proposed plan for further external review and timeline.

**Recommendations**

That the Committee notes the report.

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**Wards Affected:**

All Wards

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
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<b>Our Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	
A highly skilled city: world class and home grown talent sustaining the city's economic success	

A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	
A liveable and low carbon city: a destination of choice to live, visit, work	
A connected city: world class infrastructure and connectivity to drive growth	

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## 1. Introduction

1.1 The purpose of the report is to: -

- a) review and update on the previous external review undertaken by the LGA in 2018.
- b) Summarise the further work by Internal Audit on the capital programme and projects in the period since 2018.
- c) Detail the proposed plan for the further external review work and timeline.

## 2. LGA Review 2018

2.1 In 2017/18, as part of the Council's ongoing work to improve its delivery of the capital programme, the City Treasurer requested peer support through the Local Government Association (LGA) Sector Led improvement offer available to all principal local authorities.

2.2 The purpose of the peer support programme was to ascertain the overall direction of travel of the Capital Programme team's improvement journey, recognising and highlighting areas of good practice as well as identifying areas for improvement the Council could usefully consider.

2.3 The scope of the assurance included the activity of the Capital Programmes teams (Major, Minor and PMO) and associated governance, improvement, financial management and financial reporting processes.

2.4 The Programme was coordinated and led by the LGA North West Financial Improvement and Sustainability Adviser and supported by a member of Local Partnerships.

2.5 The LGA Peer Review in 2018 made several recommendations as tabulated below, shown together with the department's response.

	<b>Recommendation</b>	<b>Response</b>
<b>1</b>	Develop client relationships to become the provider of choice for strategic development and housing; with the objective of becoming the default provider for all council major and minor construction projects.	Developed client relations with all departments who commission capital projects, not just Strategic Development and Housing within the Council. The department meets with individual portfolio teams from across directorates, together with Capital Finance colleagues to review projects, offer support and challenge in the deliverability an outcomes of projects and programmes and engage with portfolio leads to identify projects where CP can assist in the direct delivery of these projects.

		<p>The department also undertakes out client satisfaction surveys at project completion and reports these metrics through the Improvement Board.</p> <p>The department has also delivered other capital work outside Manchester City Council, notably for Cheshire Fire Service, various schools/trusts and other local authorities.</p>
<b>2</b>	<p>Reduce reliance on external consultants and developing a sustainable in-house team supported by technical experts, offering long term career opportunities.</p>	<p>The department has successfully reduced reliance on external consultants with a range of recruitment strategies. The consultant count in 2018 at the time of the LGA review was 47, currently, with the same overall resource level within the service, the consultants now number 12, a reduction of c75%. The department continue to operate a core and flex model and retain external consultants where recruitment to these positions remains difficult; and to ensure capacity within the service to flex in accordance with volume of work.</p>
<b>3</b>	<p>Benchmark the CPP team with other local authorities to ascertain the value for money of the service.</p>	<p>The services and fees applied to projects delivered by the service have been benchmarked with both Sheffield City Council and Stockport Council. In both instances the benchmarks were comparable to the level of fees applied.</p> <p>In addition, Capital Finance colleagues internally review projects delivered against fees applied compared with time and costs expended by the service to ensure fee levels are appropriate.</p> <p>These fee reviews enable the teams to establish a revised set of fees for both major and minor programmes each year as required, which are competitively positioned to provide best value for money whilst ensuring that our internal costs are covered.</p>

4	<p>Improve corporate financial reporting on progress of the overall capital programme, possibly to include whole life costs (as they become available).</p>	<p>Capital programmes and capital finance colleagues meet on a monthly basis with both the portfolio areas and separately within a smaller peer group to review all of the capital programme delivery and financial monitoring. This financial data and monitoring is reported to the monthly Strategic Capital board, chaired by the Deputy Chief Executive &amp; City Treasurer and comprises Strategic Directors and head of Service responsible for capital projects across the Council.</p> <p>Capital finance and capital programmes also meet monthly to review internal finance reporting in the form of Service Area Reviews for each reporting period. These reviews cover income and expenditure within the department.</p>
5	<p>The new project finance system could usefully consider involving a wide client-base in specification of the system and ensure that culture change / change management is addressed as part of any implementation</p>	<p>As noted in 4 above all financial data is reported, communicated and reviewed by capital programmes, capital finance and portfolio leads within each directorate and reported monthly to the Strategic Capital Board.</p> <p>The same data is also reported through the Councils governance cycle.</p>
6	<p>Consider whether it would be useful to develop a 'RACI' matrix for the governance groups showing which is Responsible, Accountable, Consulted and Informed for both approval and delivery.</p>	<p>Whilst not developed a RACI matrix for the governance process for capital project delivery, a full risk matrix has been developed encompassing each portfolio area and flowing through to inform a programme risk register. This risk register is part of the suite of information supplied and reviewed by the Strategic Capital Board.</p>
7	<p>Capital Programme team to consider ways in which successes might be both celebrated and used to secure stakeholder buy-in to the future programme of deliver.</p>	<p>Success are celebrated and communicated through monthly newsletters, updates, case studies, staff briefings and annual staff conferences.</p>

		In terms of staff engagement, the Capital Programmes BHeard results in 2017 were 497.1, the last BHeard scores in 2019 were 667.5 (1Star) an improvement of c135%. The staff satisfaction survey in 2020 was still being analysed at the time of writing.
<b>8</b>	Improvement Board progressed with momentum and at pace.	The Improvement Board initially met monthly with internal peer review attendance from Internal Audit, HROD, Procurement and Finance from early 2018 to gain traction. The Board has now moved to quarterly meetings as a business as usual tool and with peer reviewers included in the distribution of progress/activity dashboards. The Board track activities for income targets, Health & Safety compliance, client satisfaction, number of capital schemes in the programme, learning & development plan, frameworks, staff satisfaction, social value, zero carbon, technology and quality assurance.

### **3. Summary of Internal Audits on the Capital Programme and projects.**

- 3.1 During the timeline between the publication of the LGA Review in 2018 and the drafting of this report Internal Audit undertook 21 reviews.
- 3.2 These reviews covered Our Town Hall x 9, Factory x 3, Highways x 6 and Capital Programmes x 3 to provide further assurances across the activities.

### **4. Proposed Plan for Further External Review.**

- 4.1 Internal Audit propose to commission an external organisation to undertake a further review of the capital programme and projects.
- 4.2 The scope of this commission is to undertake an independent Assurance Review of the Council's Capital Programme.
- 4.3 The first phase will include corporate engagement and scoping and will involve: -
- a) To hold a series of interviews with representatives of the Council and identified stakeholders in order to understand current capital governance

arrangements and enable the organisation to develop a clear understanding of capital programme management.

- b) A desktop appraisal of documents requested and shared by the Council. The review will identify any issues in availability or quality and work with the services to mitigate these issues wherever possible to allow full and meaningful analysis.
- c) Review a sample of ten projects from the major and minor capital programmes to assess if the key controls are embedded and operating effectively.

4.4 The Assurance Review approach is to obtain an understanding of the overarching governance and Capital programme management framework and compare this to generally accepted good practice. It will focus on the programme governance framework and the progress made by the Council following the LGA Peer review in 2018.

#### 4.5 Approach to the Review

- a) The review will be carried out using a risk-based approach in order to understand the effectiveness of MCC Capital programme management.
- b) Up to six programme/project managers and identified individuals responsible for Capital governance and financial management will be interviewed to understand current arrangements and any identified issues, risks and considerations.
- c) The operating effectiveness of the following key controls will be assessed through the interviews and the desktop review of the projects sampled.
  - **Financial Management and Investment Planning**
  - **Programme Governance and Reporting**
  - **Management of Project Delivery**

4.6 The timeline of the review is being confirmed but is expected to start within this financial year.

## 5. Recommendations

5.1 Members are asked to note the report