

**Manchester City Council  
Report for Information**

**Report to:** Resources and Governance Scrutiny Committee – 7 September 2021

**Subject:** The Capital Programme Assurance Review

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

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**Summary**

The purpose of this report is to update Members on the external independent assurance review of the Council's Capital Programme commissioned by Internal Audit as outlined in the report to Members in February 2021.

**Recommendations**

Members are asked to note the report.

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**Wards Affected:** All

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**Background documents (available for public inspection):** None

## 1. Introduction

- 1.1. The purpose of the report is to update Members on the external review of the Council's capital programme governance framework and the progress made by the Council following the LGA Peer review in 2018.
- 1.2. The draft of the report has been received and the summary of findings are included in Section 2 below, however the final signed off external report is yet to be received by officers.
- 1.3. Details of the peer review recommendations and the actions taken to support service improvement and development were included in a previous report to Resources and Governance Scrutiny Committee on 9 February 2021.
- 1.4. The three areas of focus for the review were: Financial Management and Investment Planning; Programme Governance and Reporting; and Project Delivery Management.
- 1.5. The methodology included corporate engagement and scoping involving:
  - 1.5.1. Holding a series of interviews with officers across the Council and identified stakeholders in order to understand current capital governance arrangements and provide a clear understanding of capital programme management.
  - 1.5.2. A desktop appraisal of all documents requested. The review considered the quality and availability of documentation and worked with officers to allow full and meaningful analysis of the information provided.
  - 1.5.3. Reviewing a sample of ten projects from the capital programme to assess if the key controls were embedded and operating effectively.
- 1.6. The review's approach was to obtain an understanding of the overarching governance and capital programme management framework and compare this to generally accepted good practice.
- 1.7. The review was carried out using a risk-based approach in order to understand the effectiveness of capital programme management. It resulted in a report containing observations and recommendations for consideration that are summarised in sections 3 and 4 below.
- 1.8. The external review was commissioned to review the effectiveness of the management of the delivery of the Council's capital programme and has been designed to build on and enhance the existing sources of assurance and oversight of the capital programme. These arrangements are that:
  - The Strategic Capital Board and portfolio boards oversee the approval and delivery of projects and programmes, with regular financial reporting to Directorate Leadership Teams, Strategic Management Team, Executive and Scrutiny.

- The Capital Programme Decision and Highways Project Management Offices provide management oversight and support and set out the standards and processes with which projects in their purview are expected to comply.
- Financial reporting is also overseen by finance officers who report through to the Deputy Chief Executive and City Treasurer and provide support and challenge to the establishment, monitoring and reporting of budgets and actual spend.

1.9. The capital programme and projects therein are also subject to internal audit review based on an assessment risk and overseen by SMT and Audit Committee as noted in the February 2021 report.

## **2. Executive Summary of Findings**

2.1. The Executive Summary from the independent review is included in full below:

The Council has implemented a number of actions following the LGA Peer review in 2018 and the direction of travel is positive.

This latest review examined a sample of capital projects/programmes spanning different sizes of project at varying stages of development across the project lifecycle and across different directorates/portfolios.

Whilst it was evident that there are many areas of good practice and control rigour, it was also clear that there is an opportunity for the Council to build on this and review the benefits of a more consistent organisation-wide approach to the delivery of capital projects underpinned by a common framework with clear reporting lines and accountability at all levels.

The benefits of a common framework and greater standardisation of approach would not only improve the speed and flow of relevant information, but also drive consistent and transparent reporting, clear insights and messaging, improved project documentation, real-time risk management and clarity around the allocation of accountability across stakeholders for benefits realisation.

It is important to highlight that the move to greater standardisation must continue to allow for a degree of flexibility in approach that is specific and relevant to each project. Given the breadth of different projects across the Council this is necessary to ensure that of the application of standard project management arrangements can be adapted to suit project complexity and risk profile.

Several areas of good practice and positive actions being undertaken by the Council as outlined below:

- A Strategic Capital Board provides a challenge process for business cases prior to checkpoint approval.

- The Checkpoint process provides a staged gateway process and detailed route map with clarity and controls on 'Go /No Go' decision-making process and delegated authority limits.
- A standard business case template has been designed for completion by directorates when progressing a project through the checkpoint process.
- A newly implemented Project Management Five Steps Process for major projects is being embedded and also now adopted by the Highways Programme. This provides a greater level of standardisation and consistency in reporting across major projects and alignment between the Royal Institute of British Architects (RIBA) stages and the Council Checkpoint Process e.g. Project Execution Plan's documents and highlight dashboard reporting.
- Clear minor works projects change control processes.
- The Deputy Chief Executive and City Treasurer and Executive Member for Finance approve capital business cases and staged capital budget drawdowns.
- Improvements have been made to capital monitoring reports to members, addressing the recommendation of the LGA Peer review to improve whole life budget transparency.
- The North West Construction Hub established in 2009 and managed by the Council, to drive and improve efficiencies in public sector contractor management across three frameworks. (High Value £8m+, Medium Value £2m to £10m and Low Value £500k to £3m).

3. This section of the report sets out the actions from the report:

- 3.1. **Accountability and consistency in reporting:** The fieldwork highlighted several differences in approach across directorates and portfolio boards, leading to inconsistencies in reporting and a risk of duplication of effort. Action: The Strategic Capital Board (SCB) has revised the format of reports received and is nearing completion of an updated business case proforma to be utilised by all directorates/portfolios. These reporting differences will be mitigated by the SCB standardising the format of reporting and the detail required on capital expenditure which will cascade down to the individual portfolio/programme boards, with tailored reporting to align to the specific nature of a project's reporting requirements, e.g. size of project, and also the specific performance indicators that might be relevant for specific asset types, e.g. roads, schools, civic buildings etc.

In particular, the differences in approach extend to the financial reporting and the collation of financial information across the different portfolio areas. Standardising financial requirements and introducing more dashboard style reporting would increase the efficiency in process, improve the flow of information across the boards and increase the accuracy and transparency of current year budget revisions and variances.

- 3.2. **Governance framework:** There is a framework for decision-making which encompasses the different portfolio areas and given the breadth of services, variations in processes inevitably exist. However, this review has highlighted that minutes and detailed decision action logs are not always maintained for governance boards, and highlight reports to project, portfolio and corporate boards are in different formats.

Action: The Council has previously introduced integrated Terms of Reference for the various decision-making boards and how these decisions flow up to the SCB. The Council will review the current governance arrangements designed to drive consistency in capital programme documentation, to ensure clarity on reporting across directorates and which will document the clear escalation processes and tolerance levels in terms of cost, time, benefits and risks. Terms of reference for all governance boards will be reviewed and updated to reflect clear roles, responsibilities and reporting lines.

- 3.3. **Financial management:** There is opportunity to improve forecasting and increase the accuracy of budget variations in terms of original to revised scheme budgets and profiling between years (particularly for historic schemes), by consulting at an earlier stage in the process with the relevant team, i.e. Capital Programmes for construction related projects. Not all service areas involved with construction related schemes across the Council choose to consult with the Capital Programmes Team or may consult with them only once a scheme advances to a later stage once the scope has been agreed.

Action: All teams that manage capital budgets are required to align to the corporate timetable for financial reporting and this is well established. It is not relevant for all capital works to be run through the Capital Programmes team, as other Directorates have their own specialist teams, particularly in Highways and Development. The Capital Programme Team meets regularly with directorates, attending several portfolio boards and this level of engagement has provided the Capital Programme Team with greater insight for future portfolio investment planning and the team encourages early engagement in the formulation of project budgets.

- 3.4. **Standardisation of approach and controls:** There is opportunity for standardisation (as identified in 3.1) which also extends to risk reporting, risk and opportunity logs, change control, project programmes and access to schedule management software.

Action: There are monthly reviews in place with all directorates involved with capital spend to review risks, opportunities, controls and management. In order to strengthen this work further standard risk matrices, change controls and management protocols will be developed that can be tailored, i.e. by value/complexity/size, to align with the relative needs of each project as it is recognised that the move to greater standardisation allows for a degree of flexibility in approach that aligns to project complexity and risk profile. Whilst some access to appropriate scheduling software is available, an audit of requirements will take place to ensure the required staff have the opportunity for regular review and validation of documents and assumptions issued by external contractors.

- 3.5. **Benefits planning and management:** Benefits planning and management needs to be embedded across the governance framework for the capital programme and within the checkpoint process with a view to benefits realisation becoming a more integral part of project management processes following a

project's completion, i.e. once a facility / asset is in service and planned outcomes agreed at project inception can be assessed

Action: The updated business case template has specific criteria for the identification of benefits to be realised. A further review of the benefits management guidance will be undertaken to seek to standardise processes based on a more outcome focused approach that can be delivered on at the directorate level across portfolio areas. Measurable baseline assumptions will be included in business cases to provide a basis for validation of future realised benefits.

#### **4. Conclusion**

- 4.1. The Council has implemented a number of the identified actions following the LGA Peer review in 2018 and the direction of travel is positive. Whilst it is evident that there are many areas of good practice and control there is an opportunity for the Council to consolidate this work and develop further consistency across the capital programme.
- 4.2. Work has already been put in train to ensure budgets are correctly established, and to provide further transparency in reporting. This can be seen in the revised format of the recent Capital Monitoring report to Executive, for example, which focuses on the highest risk projects and variations on an exception's basis, to draw attention to the progress of the key schemes. This better summarises the progress on the capital programme and enables a more focused scrutiny of the key schemes. It reduced the length of the report considerably and made more accessible for the end reader. This approach ensures better visibility of the key issues and draws attention to the value for money delivered by the programme. Value for money is achieved overall throughout the lifecycle of schemes, starting with the initial gateway process, through procurement, project sign off, monitoring and final evaluation.
- 4.3. The review has highlighted that a more standardised approach, that retains the flexibility necessary to reflect the risk-based needs of individual projects/programmes, would improve the speed and flow of relevant information, provide consistent reporting, improved project documentation, real-time risk management and clarity around the allocation of accountability across all stakeholders. These recommendations will be fully implemented.
- 4.4. The report contains areas for further focus on how the Capital Programme Division works with other directorates and portfolios. Again these recommendations will be implemented and it is planned to convene workshops in October to agree the approach and actions with responsible officers. This will enable all responsible directorates/portfolios to confirm how agreed actions can be implemented across the breadth of the capital programme.
- 4.5. The action plan will be agreed by the Strategic Capital Board in November who will also oversee its delivery. These outcomes will then form part of a future cycle of the Internal Audit activities

## **5. Recommendations**

5.1. The recommendation is at the beginning of the report.