

Tuesday, 20 February 2018

Change Management Reform

Item number	7.6
Report number	
Executive/routine	
Wards	All

Executive summary

This report outlines proposals to implement a portfolio and a coordinated change management approach to the planning and delivery of change.

Recommendations

It is recommended that Committee:

- 1.1 note the current governance arrangements for major projects;
- 1.2 endorse the proposed enhancements to current governance arrangements, standards and processes in line with good project and programme delivery practice;
- 1.3 endorse the approach to change management and implementation of a portfolio management approach to support delivery of outcomes required to deliver the business plan;
- 1.4 note this report has been referred from Corporate Policy and Strategy Committee that met on 5 December 2017.

Background

- 2.1 The Corporate Programme Office (CPO) was created by the Policy and Strategy Committee on 7 Aug 2012 and tasked with oversight of major programmes or projects (those with an investment value exceeding £5M) and other large projects that were either corporate in nature or particularly sensitive to the Council's reputation.
- 2.2 CPO had responsibility for ensuring governance arrangements were in place to support project and programme delivery across the organisation. This responsibility varied from providing advice and guidance to projects, to directly leading project and programme delivery. CPO also performed a scrutiny, assurance and reporting role, providing the Corporate Leadership Team (CLT) and Elected Members with transparency on delivery progress.
- 2.3 In April 2016, a new Transformation Team within Strategy and Insight absorbed the functions of CPO within its broader remit of supporting significant business change and process improvement across the organisation, as required to deliver the Council business plan.
- 2.4 The service now seeks to build on the work of the CPO through the introduction of a robust change and portfolio management approach. This approach will ensure consistency in the management of change, through the implementation of pre-project activities, enhanced governance and standards, and will provide process transparency and minimise the risk of delivery failure.

- 2.5 Oversight of the delivery of Major Capital Projects will continue through this approach. However, status reporting will be expanded to include delivery of other significant change initiatives, thereby providing the Change Board and Committee with a holistic view of change required to deliver the outcomes supporting achievement of the council business plan.
- 2.6 Key to embedding this approach is a proposed Delivery Unit within Strategy and Insight. This unit will:
- support and promote the use of best practice project and programme delivery standards across all organisational change delivery
 - provide independent delivery assurance
 - provide a scrutiny and challenge function to significant change initiatives
 - provide dashboard reporting on the change delivery process to the Change Board (monthly) and the Governance Risk and Best Value Committee (six-monthly).

Main report

Management of Change

3.1 Progress has been made in recent years to mature the organisation's approach to delivering change, but there is further scope for improvement. At present, projects are initiated in different and sometimes inconsistent ways. Major projects are reported on through different routes and using inconsistent management and reporting tools. Current arrangements will be strengthened to ensure efficient and coherent delivery of change in a broader context. This revised approach is encapsulated in six elements described below.

A single process for change initiation

- 3.2 The initiation of major projects and more routine change requests come through a number of different processes and routes. This risks both the robustness of individual business cases and the ability to assess and prioritise work volume.
- 3.3 To address this, the ICT, Strategy and Insight and Procurement teams, have put in place a single digital approach to requesting change that works across all service areas. This process ensures work can be prioritised effectively, resources are focused on priorities, and projects are following best practice methods – while keeping bureaucracy to a minimum.

Consistent gateway process applied throughout the change process

3.4 Appendix 1 sets out the proposed change management process, showing the stages that significant change initiatives will progress through prior to entering into the delivery (portfolio) stage. Each stage must show clear deliverables. Effective application of these stages will support successful delivery by ensuring due process has been applied and there is a business justification for the investment.

Greater alignment with strategic objectives through a portfolio approach

- 3.5 Adopting a portfolio management approach to the delivery of change will support the organisation in achieving its challenging ambitions within a tighter fiscal environment. Correct implementation will deliver greater value for money by providing a framework and discipline that effectively allocates available resource to those initiatives that best support delivery of the organisation's strategic priorities. Other benefits of such an approach include:
- supporting change board members to make decisions on whether initiatives within the portfolio are collectively sufficient to achieve the desired aims of the organisation;
 - supporting change board members to ensure a balanced portfolio is agreed in terms of risk, timing and overall contribution to strategic objectives;
 - providing a better view of what change initiatives are planned and underway, what their costs and benefits are, and how they are progressing;
 - ensuring more of the right change initiatives are undertaken and initiatives that are performing poorly or do not strategically align are removed at an earlier stage;
 - improving management of dependencies between initiatives for the overall benefit of the organisation, even if it means rescheduling some of them;
 - improving management of the organisation's constraints, including skills, resources and the overall capacity for change;
 - increasing focus on benefits realisation and lessons learned, via active management that ensures the business actually changes and exploits the capabilities delivered to it.
- 3.6 The change portfolio is a well-understood, professional approach to project and programme management. Alongside the broader performance framework, delivery of the portfolio approach is key to ensuring the Council is effectively supporting the delivery of the Council Business Plan. Appendix 2 provides the current projects included in the portfolio, including the project life cycle stage for each project.
- 3.7 As set out above, this approach will also include an element of prioritisation to ensure emerging projects and programmes meet the strategic objectives of the Council. In a time of significant challenges as well as resource constraints, it is important to maintain a consistent and rigorous approach to focusing resources on the delivery of our priorities. Early stage prioritisation will be carried out using a set of consistent criteria and scoring framework which is set out at Annex 4.
- 3.8 A monthly dashboard that sets out progress of the portfolio will be produced and reported to the Change Board (CLT) and the Council Leader and Deputy Leader on a monthly basis. Six monthly reports will also be produced to Governance, Risk

and Best Value Committee and referred to Corporate Policy & Strategy for information. Reporting to the Finance and Resources Committee will cease.

Stronger governance and assurance through the proposed delivery unit and change board

- 3.9 As detailed in section 2.6, support and oversight of this revised approach will be led by a proposed new Delivery Unit within Strategy and Insight. This is currently under consultation as part of the Strategy and Insight Organisational Review. The Delivery Unit would support the embedding of the end-to-end change process and will work closely with service teams and senior management in planning and delivering significant change.
- 3.10 The proposed Delivery Unit will act as mentor and coach to service teams, embedding good project and programme delivery practices. In this role, they will also challenge and scrutinise delivery practices, escalate issues and risks where appropriate, and ensure sufficient visibility on change progress is provided to CLT and Elected Members.
- 3.11 The proposed Delivery Unit will operate within a border framework including a Change Board chaired by the Chief Executive, and a Working Group reporting through committee as appropriate. This clear governance approach will ensure cross-council decision-making on the investment and prioritisation of change initiatives. Appendix 5 details the proposed change governance structure and Appendix 7 sets out in more detail the proposed role of the proposed Delivery Unit.

Closure and lessons learned

- 3.12 To support successful change there is a need to learn lessons from both live and closing projects and to apply these to future change planning and delivery. SROs and Project Managers remain responsible for ensuring this activity is undertaken at the closure of their own projects. The proposed Delivery Unit will identify trends and ensure good practice is applied in future, and will work with projects to ensure identified areas of weakness have appropriate resolutions implemented.
- 3.13 Implementing and embedding this approach will require buy-in and commitment from across the organisation, particularly at senior management level. The proposed Delivery Unit will support necessary communication and change of practices required to achieve this.

Delivery Focussed

- 3.14 To achieve delivery of the Council's ambitious change programme, there needs to be focus prioritising delivery and resourcing. As part of the Strategy and Insight Organisational Review it is proposed more emphasis is placed on supporting delivery of significant change.
- 3.15 However, to achieve delivery of business plan ambitions, the Council will at times require to supplement and flex how change is delivered with temporary resource across a range of skill sets, e.g. transformational change, construction, engineering etc.

- 3.16 Estimated resource requirements including rough order of magnitude costs will be identified at the Business Case stage and delivered by either the core internal change delivery teams, external resource where in house capacity is either not available or technical/specialist resource required or a combination of the above.
- 3.17 Internal Audit have conducted a review of how the Council manages Projects, Programmes and Benefits Realisation. A draft report has been presented to the Head of Strategy and Insight and Portfolio and Governance Manager suggesting a number of recommendations to develop and enhance good project and programme delivery practices across the organisation. Implementation of the proposals detailed in this 'Change Management Reform' paper will address a number of the audit recommendations.

Assurance Reviews

- 3.18 Internal Audit will provide assurance over the risks associated with the portfolio and individual projects as part of the annual Internal Audit plan. A risk-based approach will be applied when deciding which project-related audits will be included in the plan.
- 3.19 The output of Assurance Reviews and outstanding actions will be presented as part of the standing items on each Change Board, thereby providing a fuller picture on delivery assurance and, where necessary, prompt remedial actions.

Measures of success

- 4.1 Success will be based on how well the change process supports delivery of those initiatives required to achieve the organisations strategic objectives and coalition commitments. Ensuing that more of the right change initiatives are undertaken and any that do not align to strategic objectives are removed at an earlier stage. More granular measures of success include:
- adoption and embedding the change process across the organisation
 - transparent and consistent reporting across all the portfolio
 - monitoring of identified and approved benefits that ensures ongoing validity of the initiatives and ultimate delivery.

Financial impact

- 5.1 The financial impacts of significant change will also be reported through the revenue and capital monitoring process.
- 5.2 The cost of set up and resourcing of the Delivery Unit is to be subsumed within the existing and future Strategy and Insight service budget.

Risk, policy, compliance and governance impact

- 6.1 Implementation of the proposals will ensure greater transparency in decision making, management of risk, prompt remedial action and provide assurance around the delivery of change.

Equalities impact

- 7.1 Equalities impact assessments are carried out within individual initiatives and addressed in separate reports to Council or committee.

Sustainability impact

- 8.1 Each initiative within the portfolio is responsible for undertaking its own sustainability impact assessment.

Consultation and engagement

- 9.1 Consultation and engagement is carried out within individual initiatives and is addressed in separate reports to Council or committee.

Background reading / external references

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Chief Executive

Laurence Rockey, Head of Strategy and Insight

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Links

Coalition pledges All

Council priorities All

Single Outcome Agreement

Appendices

Appendix 1: Change Process

Appendix 2: Change Process including significant change initiatives

Appendix 3: Change type

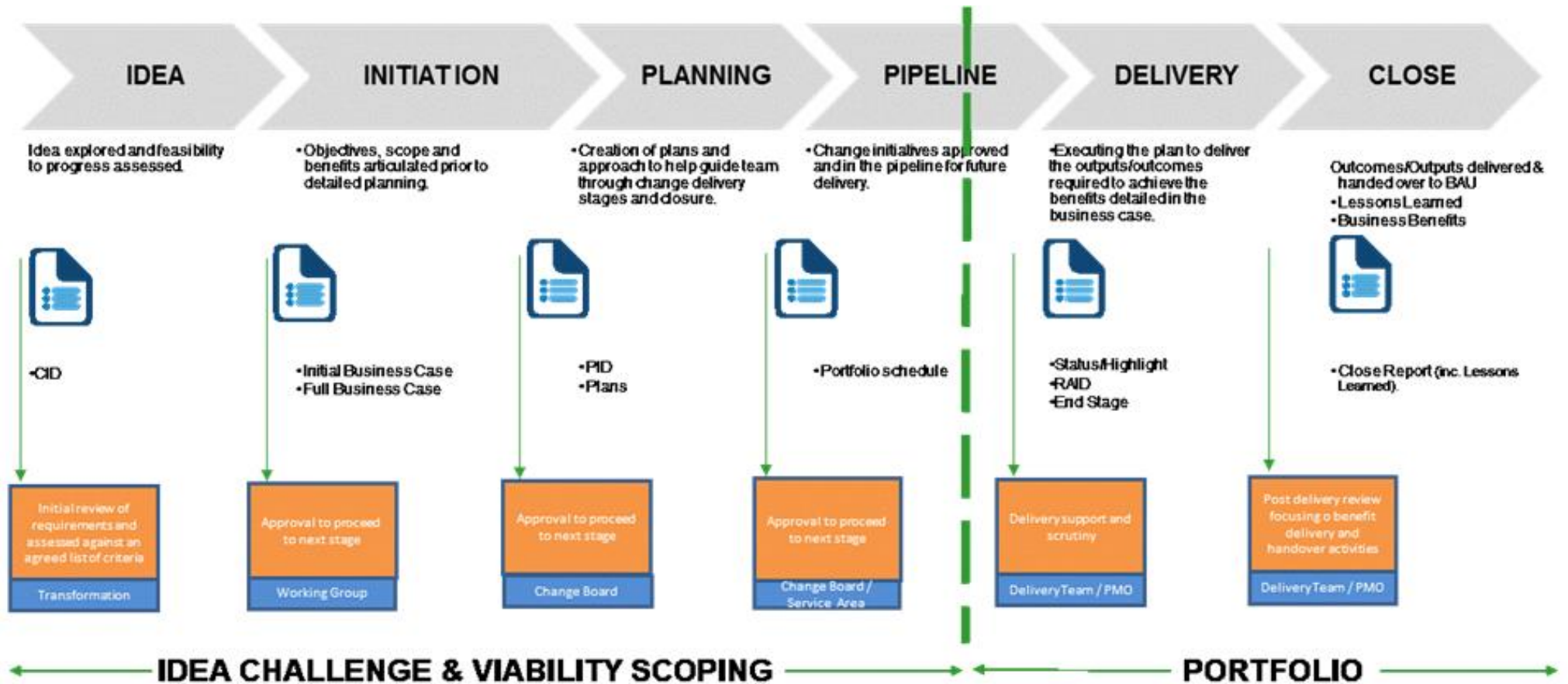
Appendix 4: Portfolio Prioritisation Matrix

Appendix 5: Change Governance

Appendix 6: Change Delivery Standards (Project/Programme)

Appendix 7: Proposed Delivery Unit - Functions

Appendix 1: Change Process



Appendix 2: Change Process & Current Initiatives

STAGE	IDEA			INITIATION			PLANNING			PIPELINE			DELIVERY (PORTFOLIO)			CLOSE			
STAGE DESCRIPTION	<p>Description: Idea explored and feasibility to progressed to next stage assessed.</p> <p>Documentation:</p> <ul style="list-style-type: none"> - Change Initiation Document (CID). <p>Process:</p> <ul style="list-style-type: none"> - CID completed by service area and submitted to transformationpmo@edinburgh.gov.uk - CID referred to Working Group for (a) approval to progress to 'INITIATION' stage, (b) stop/reject, (c) refer back to service area for futher clarity/detail. 			<p>Description: Business justification agreed and authority given to progress to 'PLANNING' stage.</p> <p>Documentation:</p> <ul style="list-style-type: none"> - Initial Business Case - Full Business Case <p>Process:</p> <ul style="list-style-type: none"> - Initial Business Case prepared by service and submitted to the Change Board for (a) approval and funding to deliver full business case, (b) reject, (c) revise and resubmit, (d) put on hold. - Assuming approval to proceed to full business case resource secured and business case delivered. - Full Business Case approved by Change Board and appropriate Committee if required. 			<p>Description: Detailed planning and any procurement activities undertaken.</p> <p>Documentation:</p> <ul style="list-style-type: none"> - Procurement / Tendering / Contractor Appointed - Plan - PID/PDD <p>Process:</p> <ul style="list-style-type: none"> - Completion of any detailed planning and procurement activities - Final approval by change board and committee prior to implementation. 			<p>Description: Approved Projects/Programmes that have completed all pre-delivery stages, i.e. IDEA/INITIATION/PLANNING and to be scheduled for future delivery.</p>			<p>Description: Project / programme delivery of the capability required to realise the business benefits agreed at business case stage.</p>			<p>Description: Formal project / programme closure.</p> <p>Documentation:</p> <ul style="list-style-type: none"> - Project/Programme Closure Document. <p>Process:</p> <ul style="list-style-type: none"> - Project/Programme Manager completes closure documentation. SRO to approve closure and dissolve project/programme team(s). 			
INITIATIVES	Ref	CP	Name	Ref	CP	Name	Ref	CP	Name	Ref	CP	Name	Ref	CP	Name	Ref	CP	Name	
SIGNIFICANT CHANGE				SIP.008		Swift Replacement	SIP.009		Business Intelligence	SIP.007	16	Roads Improvement Programme	SIP.001		Customer Programme				
										SIP.011		Building Standards Improvement	SIP.001a		Intelligent Automation				
													SIP.001b	35	Channel Shift				
													SIP.001c		ERP				
													SIP.002		Asset Management Strategy				
													SIP.003	37, 38, 40	Health & Social Care				
													SIP.004	23, 25	Waste & Cleansing Improvement				
													SIP.005	52	Localities				
													SIP.006		Edinburgh Leisure - FM Transfer Schools				
													SIP.010		ICT Transformation				
					SIP.010	23,25	Communal Bin Review												
		MCP.024	28	New Secondary Schools (CP)	SIP.012		CONFIRM	MCP.025	22	Tram Extension	MCP.024		Street Lighting: LED	MCP.001	1	NHT	MCP.027		Queensferry Crossing
		MCP.025	28	New Primary Schools (CP)				MCP.018	28	Queensferry HS	MCP.017	42	Meadowbank Redevelopment	MCP.002	1	21st Century Homes			
					MCP.021	28	Broomhills PS	MCP.026		EDI - India Quay	MCP.015	28,32,33	Early Years Programme	MCP.003		WoL Flood Prevention - Phase 2			
					MCP.022	28	Victoria PS (Replacement)	MCP.019	28	St Crispins PS				MCP.004		Zero Waste: Edinburgh & Midlothian			
					MCP.023	28	Castlebrae HS (Replacement)	MCP.020	28	New South Edinburgh PS				MCP.005		Fleet Services/Transport Review			
								MCP.015	28,32,33	Early Years Programme				MCP.006		West Princes St Gdns inc. Ross Pavillion			
														MCP.007		Edinburgh St James			
														MCP.008		Leith Programme			
														MCP.009		Northbridge			
														MCP.010		EDI - Craigmiller Regeneration			
														MCP.011		EDI - Market Street			
														MCP.012		EDI - Granton Waterfront			
														MCP.013	28	Boroughmuir HS			
														MCP.014	28	St Johns PS			
														MCP.015	28, 32, 33	Early Years Programme			
													MCP.016	28	Rising Schools Rolls				
													MAN.001		Historic Abuse Enquiry				
													MAN.002		GDPR Implementation				
													FUT.001		City Vision				
													FUT.002	6	City Deal				

Appendix 3 – Change Types

	SERVICE IMPROVEMENT (SIP)	MAJOR CAPITAL PROJECTS (MCP)	PEOPLE & CULTURE (P&C)	LEGISLATIVE / MANDATORY (MAN)	STRATEGIC CHANGE (STR)
TRACKED WITHIN THE PORTFOLIO	<p>Significant change to processes, technology or ways of working (likely with a strong cross-departmental impact) which will deliver improvements and efficiencies for current/future services, e.g.</p> <ul style="list-style-type: none"> Roads Improvement Process Automation Waste Improvement Channel Shift 	<p>Major infrastructure projects requiring capital investment of >£5M, e.g.</p> <ul style="list-style-type: none"> Early Years Programme St Johns PS Northbridge refurbishment West Princes St Gardens 	<p>Projects and programmes that drive large scale and significant change for our people and improve culture (both internal & external), e.g.</p> <ul style="list-style-type: none"> HR policy & ways of working. Future, Engage, Deliver Relationship building Compact 	<p>Initiatives we are required to do from a legislative/ reputational perspective, e.g.</p> <ul style="list-style-type: none"> GDPR Implementation 	<p>Initiatives that deliver longer-term strategic step-change, e.g:</p> <ul style="list-style-type: none"> City Deal City Vision Localities Efficiencies & Transformation
TRACKED THROUGH BUSINESS AS USUAL (BAU)	<p>Localised changes and initiatives that have some strategic, political or financial impact but are delivered as part of operational continuous improvement, e.g.</p> <ul style="list-style-type: none"> Change of Print provider Document management 	<p>Infrastructure projects and programmes with capital investment of <£5M, e.g.</p> <ul style="list-style-type: none"> Hunters Hall cycle hub and pitch Care home refurbishments 	<p>Departmental initiatives and day-to-day line management accountabilities delivered within existing policies and procedure frameworks, e.g.</p> <ul style="list-style-type: none"> WLT Small organisational reviews as part of ongoing service review Change to policies. 	<p>Operational changes required to align with legislative requirements, e.g.</p> <ul style="list-style-type: none"> Cole Report Historic Abuse Enquiry Software updates required to comply with legislative changes 	

Definitions:

- **Significant Change** – change initiatives that have a weighted score ≥ 14 when assessed via the ‘prioritisation matrix’; or any other corporate project the Chief Executive shall, in consultation with the Change Board and the Convenor or vice-Convenor of the Governance, Risk and Best Value Committee so designate.

The Portfolio Prioritisation Matrix applies a score from 1 (Low) to 3 (High) on level of impact a proposed project or programme has on a number of key criteria, i.e. a projects contribution to strategic priorities, financial impact, level of risk, community/citizen impact, people and culture impact. The criteria are weighted based on importance.

- **Major Capital Projects** - As designated in the Council’s Scheme of Delegation, section 3.14 & 3.15, any project which has an estimated value of > £5M; or any other corporate project the Chief Executive shall, in consultation with the Change Board and the Convenor or vice-Convenor of the Governance, Risk and Best Value Committee, so designate.
- **Strategic Change** – change initiatives that deliver longer term, i.e. >5 years strategic change.

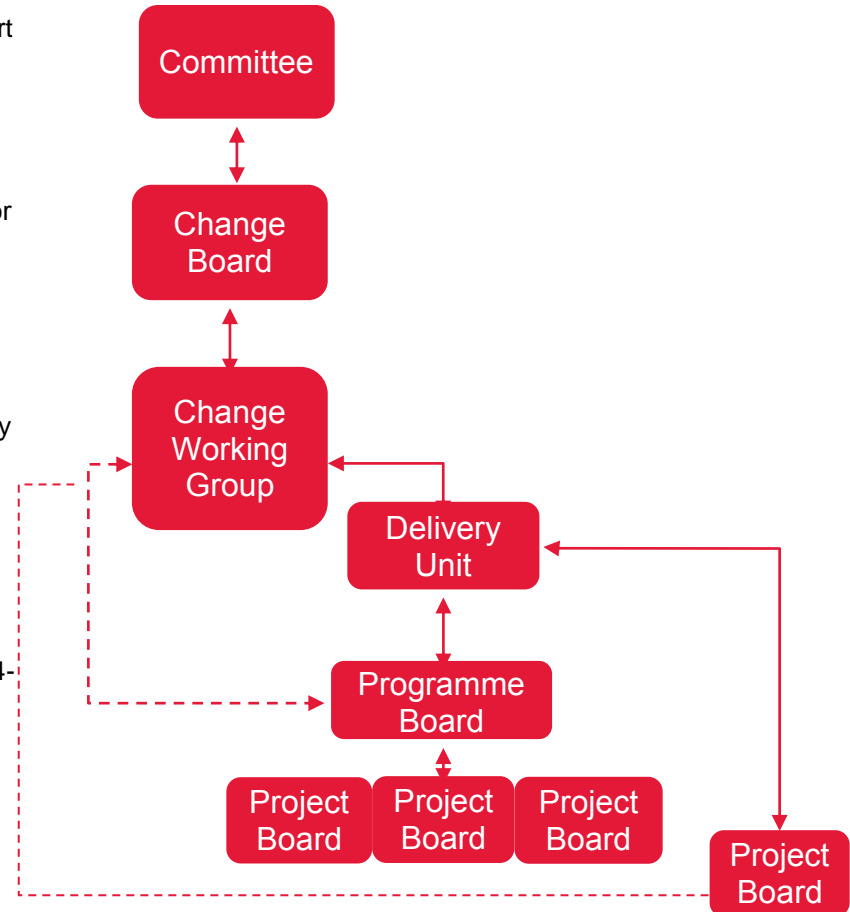
Appendix 4 – Portfolio Prioritisation Matrix

PRIORITISATION AND CATEGORISATION FRAMEWORK

	Agreed Weighting	Low - 1	Medium - 2	High - 3
Strategic	1.0	Does not align to the Council's Strategy Framework	Supports/ enables Council Strategy Framework Business Plan/ Coalition Pledges, City Vision/ City Deal	Integral component Council Strategy Framework Business Plan/ Coalition Pledges, City Vision/ City Deal
Financial	1.0	Financial impact revenue/ capital <£1m	Financial impact revenue/ capital £1-5m	Financial impact revenue/ capital £5m + Generates significant savings/income
Risk	1.0	Low probability of the risk materialising which has an impact on the Council's Objectives	Possible that the risk may materialise which has at least a significant impact on the Council's objectives	Greater than 50% that the risk will materialise with at least a significant impact to the Council's objectives
Service Improvement	1.0	Incremental change to the current service offering	Provides opportunity for a changed service offering such as deploying new software, however the changes does not fundamentally alter the service offering	Provides opportunities to deliver at least one service in a new or significantly different manner
Community / Environmental Impact	0.8	Moderate impact on one locality	Moderate impact on multiple Localities or significant impact in at least one locality	Major impact on Multiple Localities or significant impact in at least one locality forming part of a locality improvement plan
Political	0.7	Negligible/ Minor political implications	Project will require ongoing Committee Scrutiny	Highly sensitive, likely to be subject to Committee debate and scrutiny. Potential
Staff Impact/Culture	0.7	Negligible/ Minor staff implications	Major staff implications in at least one Service Area	Highly sensitive, likely to be subject to Committee debate and scrutiny. Potential
Legislative	1.0	Marginal change to existing regulatory/ legislative framework	New Mandatory Regulatory/ Compliance Project which has an incremental change. Unlikely to carry reputational impact	New Mandatory Regulatory/ Compliance Project with potential of reputational impact

Appendix 5 – Change Governance

- **Committee** – Six monthly status update on the Council’s Portfolio of Change to Governance, Risk and Best Value (GRBV) Committee for scrutiny. The update report will then be referred to Corporate Policy and Strategy Committee for information.
- **Change Board** –meets monthly & comprised of CLT members and responsible for (i) making investment decisions and agreeing prioritisation of change initiatives, (ii) issue resolution escalated from working group, and (iii) tracking Portfolio delivery progress.
- **Change Working Group** – meets monthly & comprised of HoS’s and responsible for overseeing and progressing change ideas, (ii) overseeing and if required issue resolution in relation to the portfolio, (ii) review and challenge of business cases, (iv) providing support and information to support Change Board decisions.
- **Proposed Delivery Unit** – to provide support and challenge to change initiatives reporting via the Portfolio, (including major capital projects). Portfolio Programme and Project Managers to submit monthly highlight/status that have been approved by SRO’s/Sponsors. The Delivery unit will coordinate papers required for Change Working Group and Change Board, including (i) Portfolio dashboard, (ii) Escalating top Risks and Issues. (iii) Any CID’s submitted that require decision on progress.
- **Programme Board** – all programmes should have a board that meets every 4-6 weeks. Depending on size and nature of a programme, they may require individual project boards that report into the programme board. Some Programmes may have individual project boards reporting in to them
- **Project Board** – for a stand-alone project there should be a board that meets on a 4-6 weekly basis, chaired by the Project Sponsor. It is also recommended a large project that is part of a programme should convene a project board.
- **Project Team Meeting** – recommended weekly project team meetings to track project delivery. Chaired by the Project Manager and attended by Project Team responsible for delivery of project tasks.
- *Note: there may be occasions when an individual programme/project may be called or request to attend the Change Working Group, e.g. issue that may impact on the wider portfolio that needs to be resolved.*



Appendix 6 – Change Delivery Standards (Project/Programme)

Detailed below are the basic standards that should be applied and adopted across all projects and programmes within the Portfolio. The Delivery Unit will be the custodian of these standards/templates and will be published on the Orb for download and use.

STANDARD	DESCRIPTION	FREQUENCY	NOTES
Business Case	<p>Details the justification for change;</p> <p>All change initiatives in the portfolio must have a business case. This should be reviewed and updated at each project stage boundary during delivery to ensure ongoing validity.</p> <p>The Business Case must have a section detailing anticipated benefits and named owners who will be accountable for delivery of the stated benefits</p>	Update at each stage/tranche of delivery	Mandatory for the portfolio
PID	Details the approach to delivering the agreed change(s) required to realise the benefits agreed as part of the business case.	Update at each stage/tranche of delivery	Mandatory for the portfolio
Benefits Realisation Strategy	Document detailing the approach to managing delivery of the project/programmes benefits.	<p>Approve at initial Project/Programme Board.</p> <p>Update at end of each stage/tranche of delivery.</p>	Mandatory for the portfolio
Plan	<p>Plan detailing tasks, task owners and timescales</p> <ul style="list-style-type: none"> Plan should be agreed at initial board meeting. This agreed plan will act as the baseline to monitor any slippage to plan against. Project Manager responsible for delivery and maintenance of the plan. <p>all change initiatives in the portfolio must have a plan</p>	Monthly	Mandatory for the portfolio
Highlight / Status Report	<p>Details status of the project/programme</p> <ul style="list-style-type: none"> Report should detail SRO, Project/Programme Manager, Delivery Stage, key milestones, overview of progress within current reporting period, status of individual project/programme workstreams, top RAID items, budget position, change controls raised in reporting period the report covers. <p>all change initiatives in the portfolio must provide status reports</p>	Monthly	Mandatory for the portfolio
RAID	Risks, Assumptions, Issues, Dependencies	Updated Real time	Best practice

	<ul style="list-style-type: none"> • Project Manager to own document and ensure all RAID item owners are actively managing their RAID items. • SRO's to have visibility of RAID items and address any items escalated from the Project Manager. 		Issues should be actively managed to resolution. Depending on impact this could be require daily management until issue is resolved.
Change Control	<p>Documents proposed change of agreed project/programme scope;</p> <ul style="list-style-type: none"> • whenever a change to the scope of the change initiative is made that exceeds project/programme tolerances. The change control should details the nature and impact of the change and approved/rejected by the SRO. 	By exception	Best Practice
Exception Report	To be prepared by the Project/Programme Manager when the project/programme is forecast to exceed tolerances, e.g. budget, time, quality.	By exception	Best Practice
Project/Programme Close	<p>To be completed for all projects and programmes within the portfolio when the outputs and outcomes are delivered and project team disbanded. Provides a summary of how well a project/programme has delivered the outputs/outcomes stated in its business case, final budget position, benefit position, lessons learned, outstanding tasks, owners and timescales for completion.</p> <ul style="list-style-type: none"> • Project/Programme Manager prepares. • SRO signs off <p>Note: Good project practice would promote undertaking lessons learned at the end of each stage/tranche of delivery. However as a minimum a lessons learned exercise must be undertaken at the project/programme closure. Lessons Learned will be collated and themed by the Delivery unit and provided to the Change Board on a monthly basis to provide visibility on areas of change delivery that may need improved or where good practice is being demonstrated that can be harnessed and applied to other change delivery programmes.</p>	Project/programme closure	Best Practice

A change toolkit has been prepared that provides a number of templates available to all projects and programmes. Consultation with key project/programme delivery functions and stakeholders to agree final documentation is underway. An exercise to roll the standards templates across all projects/programmes to ensure consistency of approach.

Appendix 7: Proposed Delivery Unit - Functions

A Delivery Unit can significantly increase an organisation's chances of successfully delivering its strategy, maximising benefits and delivering change initiatives more cost effectively. It can do this in a number of ways. For example:

- maintaining a 'big picture' understanding of the business change portfolio
- provide decision support to the Change Board to ensure the right programmes and projects are launched
- provide standards and processes to ensure consistency of delivery
- provide independent oversight, scrutiny and challenge to ensure things are done right first time
- provide assurance, coaching and mentoring to build a competent workforce capable of delivering project and programmes using best practice techniques
- provide 'one version of the truth', reporting function with management dashboards to focus decisions and management interventions
- reduce the likelihood and impact of events that would have a negative consequence; and, conversely, increasing the likelihood and impact of events that would have a positive consequence
- improve organisational accountability, decision making, transparency & visibility
- identify, understanding and managing multiple and cross cutting risks and issues
- protect revenue and capital spend, and enhancing VFM.
- execute change more effectively and efficiently, and improving organisational PPM delivery capability
- protect reputation and stakeholder confidence.

The City of Edinburgh Council
Internal Audit

**Project & Programme Management and Benefits
Realisation**
Final Report

30th January 2018

CW1701

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2017/18 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2017. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

1. Background and Scope

Background

Delivery of effective transformation and change is essential to ensure that the City of Edinburgh Council (the Council) can deliver on its pledges and strategic objectives whilst maintaining and improving the services it delivers at a lower cost and with less resources.

Audit fieldwork involved a review of project governance across 4 significant projects included in the Council's portfolio of change between July and November 2017, and a themed review of project benefits that was completed in October 2017. The conclusions detailed in our [Executive Summary](#) represent the consolidated themes emerging from these reviews, and are based on evidence provided during that period.

Strategy and Insight Management have advised that they are developing a new approach to the management of change. We have not assessed the adequacy of their plans, however the new approach forms the basis of their management responses to our Internal Audit findings and recommendations.

At the time of the Audit the Council's Portfolio of Change consisted of 26 projects in the implementation phase, with a further 17 significant potential change projects identified. There are also a significant number of (unquantified) projects being delivered by Service areas that were not tracked via the Council's Portfolio of Change.

The Portfolio and Governance (P&G) team within Strategy and Insight is responsible for oversight of the Council's Portfolio of Change, and providing portfolio progress updates to the Council's Change Board (essentially the Corporate Leadership Team) and elected members at the Governance, Risk, and Best Value Committee (GRBV).

Identification of expected benefits is a key requirement to support the decision as to whether proposed projects should be approved and implemented. A benefit can be financial or non-financial and is defined as a tangible and measurable effect resulting from a proposed project or business change. Expected benefits should always be clearly defined, allocated owners and documented in the project business case.

Ensuring effective delivery of the change required to achieve realisation of the benefits identified is a key aspect of project management. Benefits management within projects involves implementing the necessary business changes to support delivery of the benefits identified and recorded in the business case; tracking benefits during the life of the project to ensure they remain relevant; and (importantly) reviewing them post implementation to confirm that all expected benefits have been realised. This would normally be achieved by completion of a formal post implementation review within a year of formal project / programme closure.

The rebased 2017/18 Internal Audit plan approved by GRBV in November 2017 includes seven project reviews. Four of these have now been completed, with a number of project governance themes identified and raised as Findings. The four projects reviewed were:

1. Ross Bandstand
2. Customer Transformation
3. St James
4. Zero Waste

A review of project benefits realisation is also included in the plan.

The themes resulting from the four project reviews and outcomes from the benefits realisation review have been consolidated and are included in this report.

Scope

The scope of the project management and benefits realisation reviews assessed the design and operating effectiveness of project governance controls established to mitigate the following key CLT risk:

- Transformation and change agenda.

Benefits testing was performed on a sample basis across current and completed projects within the Change Portfolio and projects being delivered by Service Areas for the period 1st September 2016 to 31st August 2017, and our report reflects the position as at 31st August 2017

2. Executive summary

Total number of findings

Critical	-
High	2
Medium	-
Low	-
Advisory	-
Total	2

Summary of findings

Given the current scale of transformation across the Council, it is essential that an adequate and effective project and programme management framework is established to support consistent application of standard project management principles across all projects and programmes, and support effective management of transformation risk.

A key element of effective project and programme management is ensuring that the necessary business changes are delivered to enable realisation of expected benefits. Given the significant cost challenges currently facing the Council (circa £21m savings required in 2018/19 and a further £140m over the next five years) it is crucial that effective benefit management is consistently applied and embedded.

Additionally, once projects or programmes have been approved, benefits should be monitored at various stages throughout the project lifecycle to ensure that they remain valid, and also post implementation to confirm that all outstanding benefits are being delivered in line with the benefit realisation plan as part of ongoing operational activities.

Our review of project governance and benefits realisation has identified a number of significant control gaps in the existing project and programme management framework, and across projects and programmes being delivered both within the Council Change Portfolio and independently by service areas. These control gaps could adversely impact effective delivery of projects and realisation of associated benefits, and immediate action is required to ensure that these are addressed.

Consequently, two 'High' rated Internal Audit findings have been raised (further detail is included at [Section 3: Detailed findings](#)).

In parallel to this review The Portfolio and Governance Team (P&G) within Strategy and Insight has confirmed that they have been developing a revised Portfolio Management approach (including best practice project and programme management standards) with the objective of supporting consistent delivery and governance of Council projects. The framework will also propose a benefits management approach. The Internal Audit recommendations included in this report should be incorporated within this framework.

3. Detailed findings

1. Programme Management

Findings	
<p>The Portfolio and Governance (P&G) team within Strategy and Insight is responsible for oversight of the Council's Change Portfolio, providing portfolio progress updates to the Council's Change Board (essentially the Corporate Leadership Team) and elected members at the Governance, Risk, and Best Value Committee (GRBV).</p> <p>The P&G team also includes several skilled and qualified programme and project managers who are responsible for managing and supporting delivery of a small number of significant business change projects and programmes. Currently, the criteria applied to determine whether a project should be included in the Change Portfolio or delivered by a service area is based on both the cost of the project and/or reputational sensitivity. There is therefore a number of projects (not yet quantified) in progress across service areas that are being delivered by employees with potentially limited project management experience, or by external 3rd party project management specialists on a contractual basis that are not subject to oversight by the P&G team and the Council's Change Board</p> <p>Our review of four projects within the Change Portfolio established that whilst standard project management principles exist, they are not applied consistently across projects within the Portfolio.</p> <p>Consolidated reporting prepared by P&G and provided to the Change Board and GRBV is based on updates provided by individual projects and programmes within the Change Portfolio, however these updates are inconsistent in terms of content and level of detail provided. Additionally, P&G reporting does not include projects outwith the Change Portfolio that are being delivered by service areas that could potentially be categorised as 'Significant' based on a broader set of criteria for inclusion in the Change Portfolio.</p> <p>Review of project governance across four of the projects included in the Change Portfolio established that projects are not being managed consistently, and identified several thematic control gaps. These included:</p> <ul style="list-style-type: none"> • Standard business cases are not consistently produced. Project approval is often granted based on a paper presented to Council committees; • Failure to identify, record and monitor project benefits (refer Finding 2); • Lack of clearly defined project plans that reflect project critical paths and key project dependencies; • Failure to identify, record, monitor and report project risks, issues, and dependencies; • Project governance minutes (e.g. steering group meeting minutes) do not consistently record attendees or meeting outcomes. • Weaknesses in the management and oversight of third parties involved in projects to ensure that their delivery is in line with contractual requirements; • Lack of secure arrangements supporting transfer of commercially sensitive and confidential information to and from third party suppliers involved in projects; • Lack of project management tools to support effective delivery of high risk or large scale projects (for example MS Project). Several projects are managing their project plans in Microsoft Excel which is not always adequate to support high risk or large scale changes. • Project close reports are not consistently completed when a project is closed. 	
Business Implication	Finding Rating
<p>The potential risks and business implications associated with our Findings are:</p> <ul style="list-style-type: none"> • Failure of high risk projects being delivered by service areas as they are not subject to oversight by P&G team; the Council's Change Board and 	<div style="background-color: red; color: white; padding: 10px; width: 60px; margin: 0 auto;">High</div>

relevant Council scrutiny committees; and are supported by staff with insufficient understanding and training in effective project management and delivery of projects;

- Projects are not effectively and consistently managed with the potential for risks, issues, and dependencies to crystallise and adversely impact project delivery;
- Consolidated reporting provided by P&G to the Change Board and GRBV is incomplete and inaccurate;
- Third party supplier deliverables are not aligned with contractual requirements or Council expectations;
- Breach of Data Protection Act requirements or leakage of commercially sensitive information; and
- Areas for improvement or best practice are not identified, recorded, and shared when projects close.

Action plans

Recommendations	Responsible Officer
<ol style="list-style-type: none"> 1. Existing criteria to determine whether a project should be included in the Change Portfolio should be reviewed and enhanced. The revised criteria should be based on a thorough assessment of the risks associated with projects and will be reviewed and approved by the Change Board and GRBV; 2. All projects currently outwith the Change Portfolio should be reviewed and assessed to establish whether they should be included based on the revised assessment criteria; 3. SRO's who are accountable for delivery of significant change projects should assess within the business case whether there is sufficient skills, capability, and capacity within their Service Areas to effectively deliver the project and programme in line with the recommendations set out in this report. S&I should work with SRO's to support them in this regard and the outcomes together with any specific requests for project management support should be reported to the Change Board for consideration and approval. 4. A standard project management approach should be developed and applied by all projects being delivered across the Council. This should include (but not be restricted to) guidance on how to: manage external suppliers involved in project delivery; manage risks, issues and dependencies; and prepare key project plans and governance documents. 5. Standard project management standards and processes should be owned and maintained by P&G, with P&G providing oversight to confirm that it is consistently applied; 6. P&G reporting to the Change Board and GRBV should be reviewed and enhanced to demonstrate progress with all projects being delivered across the Council based on an appropriate set of standard monitoring metrics. 7. Where projects will involve transfer of commercially sensitive or private sensitive data between the Council and third parties, the Information Governance Unit (IGU) should be consulted and details included in project Privacy Impact Assessments (PIAs). Where required, secure data transfer and storage arrangements should be established with third parties prior to commencement of projects. This requirement should be included in the project guidance made available by P&G to all service 	Portfolio and Governance Manager, Strategy and Insight

<p>areas, and considered as part of the business case approval process for all significant projects included in the portfolio of change.</p> <p>8. Provision of an appropriate range of project management tools to support effective project management and consolidated change Portfolio reporting by P&G should be made available to all significant, high risk and large scale projects across the Council.</p>	
Agreed Management Action	Estimated Implementation Date
<p>1. New Criteria is in place and implemented to evaluate change initiatives and whether projects and programmes are tracked via the Council's Change Portfolio. This evaluates initiatives against the following criteria: strategic contribution; financial impact; level of risk; service improvement; political impact; citizen/community impact; and staff/culture impact. This prioritisation matrix will inform what change initiatives should be considered for inclusion in the Portfolio. The Change Board will ultimately agree what is tracked via the portfolio. The matrix has been presented to CLT and Corporate Policy & Strategy Committee on 5 Nov 2017 and is being applied to all new change initiatives. Formal communication still to be undertaken across all service areas.</p> <p>2. Work is already underway and a proposed portfolio of projects was presented to the Change Board in December. This will continue to be refined through engagement at Directorate Senior Management Team meetings. The portfolio will of course continue to change as some projects are closed and new projects come on stream.</p> <p>3. The proposed Delivery Unit in S&I will provide support and guidance where required to SRO's to ensure resource requirements are captured as part of the change initiatives business case. Guidance will be prepared by S&I's Change Team and included in business case templates provided.</p> <p>4. Standards and processes are developed. Implementing and embedding these will take time (and will require support from senior management across all service areas). It is proposed that key standards are made mandatory for portfolio projects and programmes, i.e. business cases, PID (Project), PDD (Programme), status reporting, RAID Management, and Project/Programme Closure initially.</p> <p>A project toolkit will be published on the Orb. It is proposed that certain documents in this toolkit will be mandated for use by those initiatives within the Portfolio as detailed above. Projects and programmes out with the portfolio will be advised to use but not mandated.</p> <p>5. The Organisational Review within S&I will establish a new Delivery Unit responsible for the governance and oversight of all significant change projects and they will be responsible for ensuring consistent standards around reporting. Furthermore, there will be a role for the proposed delivery unit to provide ongoing oversight that these standards are being applied consistently across the Portfolio of Change.</p> <p>6. Reporting arrangements to both the Change Board, CP&S and GRBV have been reviewed and agreed. A new dashboard was presented at the Change Board in December and will be refined over the next few months. A workshop with GRBV is also planned and feedback from this will be incorporated within our revised reporting proposals. The proposed delivery unit will have responsibility for identifying, documenting and providing visibility of lessons learned and themes that can be applied to any new projects and programmes. Responsibility for</p>	<p>1. 30.06.18</p> <p>2. 30.06.18</p> <p>3. 30.03.18</p> <p>4. 30.03.18 – 30.03.19.</p> <p>5. 30.04.19</p> <p>6. 30.06.18</p>

undertaking lessons learned exercise remains the responsibility of individual projects and programmes.	
7. Project guidance will be updated to reflect the requirements of the recommendation in conjunction with the IGU.	7. 30.03.19
8. A project toolkit will be available on the Orb that includes key templates. To standardise approach some of the templates should be mandated but all will be available for any project to use. Guidance will also be available on the orb in relation to procuring MS Project 2016 software.	8. 30.06.18

2. Benefits Realisation

Findings	
<p>Whilst a consolidated portfolio governance report including benefits monitoring is produced for the Council's Change Board, our review of the controls in place supporting identification, monitoring, and post implementation review of project benefits across a sample of current and completed projects across the Council identified the following control weaknesses:</p> <ul style="list-style-type: none"> • There is no consolidated benefits realisation plan covering all projects within the Council's Change Portfolio enabling consolidated benefits monitoring (including the contribution of any financial benefits to costs saving targets) at portfolio level during the life of the project and post implementation; • Benefits are not currently specified as a criterion to determine whether a project should be included in the Change Portfolio; • There is a lack of clarity across projects regarding the definition and classification of benefits. Training materials covering benefits have been produced by P&G, but have not been shared across all projects; • When produced, project business cases do not consistently include details of expected project benefits; • Baseline measurements (the position prior to implementation of the change) are not always recorded, or are not sufficiently granular to support a post implementation review to confirm that expected benefits have been realised; • Project update reports prepared by individual projects and submitted to P&G to support consolidated Change Portfolio reporting do not include an appropriate level of detail in relation to benefits; and • There is limited monitoring of benefits following project completion and transition into business as usual service delivery to confirm that all expected benefits have been achieved. 	
Business Implication	Finding Rating
<p>The potential risks and business implications associated with our Findings are:</p> <ul style="list-style-type: none"> • Consolidated benefits across the Change Portfolio cannot be monitored or their total contribution to financial savings assessed; • Projects that are expected to deliver significant benefits will not be supported by P&G or reported to the Change Board as part of the Change Portfolio; • Project benefits are not completely and accurately assessed and recorded; • Projects are approved that will not deliver benefits and are not aligned with the Council's strategic objectives; • Benefits delivered cannot be measured as the baseline measurements have not been accurately recorded; 	<div style="background-color: red; color: white; padding: 10px; width: 60px; margin: 0 auto;">High</div>

- Incomplete and inaccurate benefits reporting provided by P&G to the Change Board or GRBV; and
- Inability to accurately assess whether benefits have been realised post implementation.

Action plans

Recommendations	Responsible Officer
<ol style="list-style-type: none"> 1. A consolidated benefits realisation plan covering all Change Portfolio projects should be implemented and reported to the Change Board and GRBV to support effective monitoring of benefits across the portfolio; 2. Benefits should be included as a criterion for inclusion of a project within the Change Portfolio; 3. P&G should prepare guidance in relation to the definition of benefits and the requirement to identify, record and monitor benefits throughout the life of the project and post implementation; 4. Standard business cases that detail expected project benefits, should form the basis for approval of all projects by the Change Board and relevant Council committees; 5. Project management methodology should include the requirement for business cases to be submitted to P&G for review prior to submission to the Change Board and Council committees to confirm that benefits have been identified, quantified and recorded with ownership allocated. 6. Baseline measurements should be recorded in all business cases. Assumptions and calculations supporting the baseline measurements for all projects within the Change Portfolio should be recorded and reviewed by P&G; 7. P&G should specify their expectations regarding benefits for inclusion in all progress updates received from Project Managers; and 8. The requirement for completion of Post implementation reviews and development and implementation of processes enabling measurement and reporting of post implementation benefits by Service Areas for all projects within the Change Portfolio should be included in the P&G project governance guidance. The P&G oversight process should also include the requirement to confirm that benefits have been identified and are being effectively monitored and reported. 	Portfolio and Governance Manager, Strategy and Insight
Agreed Management Action	Estimated Implementation Date
<ol style="list-style-type: none"> 1. Agreed. However, responsibility for Benefits Realisation will remain responsibility of the agreed Benefit Owners. 2. Agreed. Unless there is an approved Business Case with Benefits identified, verified and owned then a proposed change initiative should not even reach the Portfolio. It would be stopped at an earlier 'gate' in the change delivery process. For current projects and programmes within the Portfolio, Project and Programme Managers to provide benefits realisation plans and current status on a monthly basis as part of status/highlight reporting to P&G. 3. Agreed. This will be part of the toolkit that will be published on the Orb. 4. Agreed 5. A Working Group has been set up that comprises representation at Head of Service level across departments. This group has a role in reviewing business cases prior to submission to the change board. This group and 	<ol style="list-style-type: none"> 1. 31.09.18 2. 30.03.18 3. 30.03.18 4. 30.08.18 5. 28.06.18

change board would only be involved in review of significant change business cases.

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|--|-------------|
| 6. Guidance will be included as part of the Benefits Management approach re baseline measurements. | 6. 30.06.18 |
| 7. Expectations are set out in the highlight report that portfolio projects and programmes complete monthly. However, there is scope to review this section and if required make changes. | 7. 31.03.18 |
| 8. P&G to schedule and undertake post implementation reviews. Annual schedule to be agreed between P&G and SRO's for Portfolio Projects and Programmes, either recently closed or scheduled to close within the next six months. Additionally, P&G will develop guidance for Benefits Management which will be available on the Orb. | 8. 31.06.18 |

Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
Medium	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
Low	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance ; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
Advisory	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>