

STRATEGY AND POLICY REVIEW COMMITTEE
6 APRIL 2009 **GOVERNANCE AND COMPLIANCE**

A11 CAPITAL WORKS PROJECT BOARD
QUARTERLY REPORT

LOCATION/ADDRESS: N/A

EXECUTIVE DIRECTOR: DAVID YEOUART, EXECUTIVE
DIRECTOR COMMUNITY ASSETS AND
SERVICES

PREPARED BY: SAM HEWETT, MANAGER ASSET
SERVICES

FILE NO.:

ATTACHMENTS: ATTACHMENT #1 – CAPITAL WORKS
PROJECT BOARD RECOMMENDATIONS
MARCH 2009

ATTACHMENT #2 – CAPITAL WORKS
PROJECT BOARD DECISIONS MADE BY
EXECUTIVE DIRECTOR COMMUNITY
ASSETS AND SERVICES MARCH 2009

ATTACHMENT #3 – CAPITAL WORKS
PROJECTED ROLLOVER PERCENTAGE
(FUNDING) MARCH 2009

ATTACHMENT #4 – CAPITAL WORKS
PROJECTED ROLLOVER PERCENTAGE
(PROJECTS) MARCH 2009

1. PURPOSE

- 1.1 Council resolved in August 2008 to establish a Capital Works Project Board to monitor the progress of the annual capital works program.
- 1.2 At that time Council requested quarterly update reports on the progress of the program including a detailed financial report on the progress of the program and a projected year-end rollover analysis.
- 1.3 This report is the third quarterly report to Council since the formation of the Capital Works Project Board in August 2008.

2. RECOMMENDATION

- 2.1 That the Council endorses the recommendations made by the Executive Director Community Assets and Services outlined in Attachment 1 - Capital Works Project Board Recommendations March 2009.

- 2.2 That the Council notes the decisions made by the Executive Director Community Assets and Services under existing delegations – Attachment #2 - Capital Works Project Board Decisions by Executive Director Community Assets and Services March 2009.
- 2.3 That Council notes that the next detailed report from the Capital Works Project Board will be in July 2009.

3. BACKGROUND AND CONTEXT

- 3.1 In 2007, Council's internal auditor recommended some changes to the capital works processes which resulted in the development of the Capital Works Improvement Plan. This plan identified 40 actions that when implemented would assist the organisation to deliver the annual capital works program with reduced carryovers.
- 3.2 As part of the Capital Works Improvement Plan, recommendations were made to improve the monitoring and reporting.
- 3.3 In June 2007, the Asset Services Department investigated a project management methodology 'Prince 2' which uses a concept called the Project Board to monitor the progress of the delivery of individual projects.
- 3.4 In August 2008, Council resolved 'to endorse the establishment of the Capital Works Project Board which will have the responsibility for monitoring and reporting on the progress of the annual capital works program and intervening where necessary to ensure capital works project accountability'
- 3.5 Since September 2008, the Capital Works Project Board has met monthly with project managers and project sponsors from across the organisation.
- 3.6 The project board meeting is chaired by the Executive Director Community Assets and Services and the board discusses all capital projects scheduled for delivery in 2008/2009.
- 3.7 At the project board meetings, project managers and project sponsors responsible for the delivery of individual projects are asked to report on;
- Progress on key milestones
 - Risks facing the project
 - Issues that need resolution
 - Financial summary
 - Current status of the project
 - Whether the project will be delivered in 2008/2009

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- 3.8 As a result of the meetings held in the third quarter of this financial year, decisions;
- Are being recommended to the Council for a decision (Attachment #1 – Capital Works Project Board Recommendations, March 2009) or
 - Have been made by the Executive Director Community Assets and Services as part of his delegated authority – Attachment #2 - Capital Works Project Board Decisions by Executive Director Community Assets and Services, March 2009.
- 3.9 Attachment #3 highlights the projected 'financial' rollover position at June 30, 2009 and Attachment #4 highlights the projected 'project' rollover position at June 30, 2009.
- 3.10 Based on information supplied by project managers and project sponsors at the monthly Capital Works Project Board meeting, the projected financial rollover percentage at year's end currently stands at approximately 11% (Attachment #3). Seventeen projects have been identified as 'at risk' of not being delivered. These are listed on Attachment #4.

4. CONSULTATION AND STAKEHOLDERS

4.1 Internal

The people who have been engaged with in relation to this issue are:

- Managers of Buildings and Green Services, Infrastructure Services, Community Services, Environment and Renewal, Culture and Recreation.
- Co-ordinators of Parks Services, Open Spaces, Capital Project Services, Traffic and Parking Management and Infrastructure Development Services
- Project Sponsors and Project Managers from across the organisation.

The Capital Works Project Board process ensures accountability for the delivery of each capital project scheduled for delivery in 08/09. It has also given Council the opportunity to intervene early, where necessary, on projects that have been identified as having increased risks. Project managers and sponsors have agreed that this higher level of accountability will lead to an increased likelihood of reduced.

4.2 External

Not Applicable.

5. DISCUSSION

5.1 OPTIONS

Council may choose to reject some or all of the recommendations made by the Capital Works Project Board.

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All recommendations made have been based on the best information available from project managers and project sponsors. They are considered reasonable and conservative and they give the best possible outcome for all stakeholders of the individual project and the highest possibility of full completion on time.

5.2 POLICY IMPLICATIONS

- In its decision of 25 August 2008, Council resolved to endorse the establishment of the Capital Works Project Board and at that time expected regular quarterly reporting against the progress of the program.
- The Executive Director Community Assets and Services has the delegated authority to reallocate savings from one capital project to another to a maximum of \$100,000. The decisions made or recommended in this report are consistent with that delegation.

5.3 FINANCE / RESOURCE IMPLICATIONS

The financial consequence of the decisions of this report is set out in the table below.

Project	Budget	Additional funding	Reduction in Funding
Lagoon Reserve Lighting	\$64,000		\$46,000
Vegie Lane Roof*	\$0	\$8,576	
Fitzroy St Lighting – Stage 1	\$100,000		\$95,000
Inkerman/Pakington Lane	\$106,000		\$46,000
TOTAL		\$8,576	\$187,000

* 'The Vegie Lane Roof' project is a design project only for 2008/2009. Any future construction stage of the project will be decided by Council through the capital works approval process.

The total project cost for the design of the Vegie Lane Roof is \$37,576. An amount of \$29,000 exists in the capital works budget 'Future Capital Works – Pre Planning'. A total of \$8,576 is the additional funding required.

Accumulative Financial Summary 08/09

	Increase in funding recommended	Reduction in funding recommended (savings)	Net result
September Project Board Report	\$418,648	\$680,000	\$261,352
December Project Board Report	\$250,846	\$106,000	(\$144,846)
March Project Board Report	\$8,576	\$187,000	\$178,424
TOTAL	\$678,070	\$973,000	\$294,930

5.5 LEGAL & RISK IMPLICATIONS

There are risks associated with rejecting the recommendation of some of the projects listed in Attachment #1 - Capital Works Project Board Recommendations, March 2009.

By rejecting scope change and budget change recommendations of the board, significant re-work will be required by project managers and project sponsors to ensure those projects are redesigned to meet community expectation. This would almost certainly result in those projects being either deferred or incomplete at year's end and the project would then need to be rolled over.

5.6 SUSTAINABILITY ASSESSMENT

SOCIAL EQUITY

There are many capital works projects proposed each year which enhance the city and promote the social benefits to residents and visitors. In each of the projects being considered by Council as part of this report, the social value of the consequence of the decision has been taken into account.

ECONOMIC VIABILITY

The Capital Works Project Board has ensured greater accountability of project managers and project sponsors for their projects by having to report the financial consequences of the project delivery to the board. In this report, the Project Board is making 15 recommendations all of which have a financial consequence. These consequences are spelt out in the Resources Section of this report.

ENVIRONMENTAL RESPONSIBILITY

There are no negative environmental impacts as a result of decisions Council makes in response to this report. Each project carries considerable

environmental expectations and any project scope change will consider the environmental impacts of the proposed change before a decision is made.

CULTURAL VITALITY

No decision has a negative cultural impact on the City, on projects or the overall program

6. IMPLEMENTATION STRATEGY

Not Applicable.