

STRATEGY AND POLICY REVIEW COMMITTEE
2 FEBRUARY 2009 **GOVERNANCE AND COMPLIANCE**

A2	CAPITAL WORKS PROJECT BOARD QUARTERLY REPORT
LOCATION/ADDRESS:	N/A
RESPONSIBLE EXECUTIVE DIRECTOR:	DAVID YEOUART, EXECUTIVE DIRECTOR COMMUNITY ASSETS AND SERVICES
AUTHOR:	SAM HEWETT, MANAGER ASSET SERVICES
FILE NO.:	78/17/08
ATTACHMENTS:	ATTACHMENT #1 - CAPITAL WORKS PROJECT BOARD RECOMMENDATIONS DECEMBER 2008 ATTACHMENT #2 – PROJECTED ‘FINANCIAL’ ROLLOVER POSITION FOR YEAR ENDING 30 JUNE 2009 ATTACHMENT #3 – PROJECTED ‘PROJECTS’ ROLLOVER POSITION FOR YEAR ENDING 30 JUNE 2009

1. EXECUTIVE SUMMARY

- 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 second quarterly report to Council since the formation of the Capital Works Project Board in August 2008.

2. BACKGROUND AND CONTEXT

- 2.1. 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.
- 2.2. As part of the Capital Works Improvement Plan, recommendations were made to improve the monitoring and reporting.
- 2.3. 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.
- 2.4. 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'
- 2.5. Since September 2008, the Capital Works Project Board has met monthly with project managers and project sponsors from across the organisation.
- 2.6. 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.
- 2.7. 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
- 2.8. As a result of the meetings held in the second quarter of this financial year, decisions were made by
 - The Executive Director Community Assets and Services as part of his delegated authority, or
 - Are being recommended to the Council for a decision (Attachment #1 – Capital Works Project Board Recommendations December 2008).
- 2.9. At the meeting of October 6, 2008 Council requested further analysis of the projected year-end rollover position. Attachment #2 highlights the projected 'financial' rollover position at June 30, 2009 and Attachment #3 highlights the projected 'project' rollover position at June 30, 2009.

- 2.10. 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 10% (Attachment #2). Eleven projects have been identified as 'at risk' of not being delivered. These are listed on Attachment #3.
- 2.11. As part of the original report to the Strategy and Policy Committee on August 4, 2008 in relation to the establishment of the Capital Works Project Board, a review was promised by March 2009 of the operating practices of the board. The internal review was to consider the board membership, financial delegation limits of the Executive Director Community Assets and Services, decision making and meeting frequency. As the board has been operating now effectively for 2 quarters, the following are observations of the board members;
- Greater accountability exists for delivering capital works projects.
 - There is a greater likelihood of meeting key deliverables and targets due to this increased accountability.
 - Greater project management expertise exists in relation to capital project delivery.
 - A clearer decision making process now exists in relation to scope change and budget change requests.
 - Membership and meeting frequency of the board is appropriate.
 - The Council and the Executive Team are more regularly provided with thorough and accurate information about the capital program progress. This information allows for a quicker and more appropriate intervention where project delivery is at risk.
 - The total amount of capital funding able to be reallocated by the Executive Director Community Assets and Services under delegation from the Chief Executive Officer is inadequate (ie currently up to \$50,000). The project board would recommend increasing this limit to \$100,000.* This change will be reflected in the Instrument of Delegation to Members of Council staff by the Chief Executive Officer.

*(*The recommendation to increase the Executive Director's financial delegation to \$100,000 was based on some analysis of the size of the capital program and projects relative to the size of the delegated authority to reallocate capital savings. The project board has received a number of requests outside the \$50,000 authority which have, in turn, been referred to Council for a decision.*

This financial delegation has not been reviewed since 2001. In that time the annual capital works program has increased from \$13m to \$25m and yet the delegation to reallocate savings from one capital project to another has remained static at \$50,000.

It is the view of the project board that the increase in delegation to \$100,000 still provides Council with the necessary control over the capital program without needing to make relatively minor decisions. A

detailed financial report will still be presented to Council each quarter and Council may, at any time, revoke any delegation previously made.)

3. RECOMMENDED OPTION

- 3.1 That council endorses the recommendations made by the Executive Director Community Assets and Services outlined in Attachment 1 - Capital Works Project Board Recommendations December 2008
- 3.2 That Council notes that the next quarterly report will be presented to Council in April 2009.

Criterion for recommendation

- The Capital Works Project Board has made recommendations based on the likelihood of the project being completed in the 2008/2009 year. Clear evidence was presented to the Project Board by project managers and project sponsors to support each and every recommendation.
- Where the Project Board was unclear about the likelihood of the project being completed in 08/09, project sponsors and project managers have been asked to present again to the Project Board with more supporting evidence.
- The next detailed report will be presented to Council in April 2009.

3.1. Sustainability assessment

SOCIAL EQUITY

Social Pillar	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.
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ECONOMIC VIABILITY

Economic Pillar	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.
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ENVIRONMENTAL RESPONSIBILITY

Environmental Pillar	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.
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CULTURAL VITALITY

Cultural Pillar	All decisions have no negative cultural impacts on projects or the overall program
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3.2. Policy and legislative implications

- 3.2.1. 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.
- 3.2.2. Council also noted at that time *'that the Capital Works Project Board will supervise the financial consequences of the capital works program delivery and the Executive Director Community Assets and Services will be responsible (under existing delegation limits) for reallocating savings from one completed capital works project to another up to a maximum of \$50,000.'*
- 3.2.3. Decisions made as part of this report are consistent with that delegation (except in the case of the Chief Executive Officer's decision for the Elwood Foreshore Management Plan where an urgent decision was required).
- 3.2.4. At the meeting of October 6 2008 Council also requested further analysis of the projected year-end rollover position. This report complies with this request.

3.3. Risk implications

There are risks associated with rejecting the recommendation of some of the projects listed in Attachment #1 - Capital Works Project Board Recommendations October 2008.

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.

3.4. **Resource implications**

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

Project	Original Budget (08/09)	Additional funding	Reduction in Funding
Luna Park Interchange *	\$0	\$50,000 *	
Clarendon Street - Pedestrian Safety	\$200,000	\$12,000	
Coventry Street Streetscape Upgrade	\$50,000	\$1,500	
Alma Park Senior Playground	\$184,300	\$24,000	
Elwood Foreshore Management Plan	\$1,000,000	\$128,846	
Byron St Tennyson St - Pedestrian Safety	\$100,000		\$16,000
Sport and Recreation Minor Improvements	\$250,000	\$4,500	
Public Toilet Strategy - Middle Park beach	\$50,000	\$44,000	
Fitzroy St Lighting	\$130,000		\$30,000
Pedestrian Improvements – Inkerman/ Pakington Lane	\$70,000	\$36,000	
Port Melbourne Light Rail Reserve Stage 5			\$60,000
Murphy Reserve Path and Fence (Vic Roads) **	\$0	\$218,000 **	
TOTAL		\$250,846	\$106,000

* Luna Park Interchange - This is to be funded through the Future Capital Works - Pre Planning funding. Therefore this is cost neutral to Council.

** Murphy Reserve Path and Fence (Vic Roads) – This is a fully funded project from a Vic Roads Grant. Therefore this is cost neutral to Council.

Accumulative Financial Summary 08/09

	Increase in funding recommended	Decrease 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)
TOTAL	\$669,494	\$786,000	\$116,506

4. ALTERNATIVE OPTIONS

4.1. Alternative 1

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

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.

4.1.1. **Sustainability assessment**

Social Equity Pillar	No Change
Economic Viability Pillar	No Change
Environmental Responsibility Pillar	No Change
Cultural Vitality Pillar	No Change

4.1.2. **Risk implications**

No Change.

4.1.3. **Resource implications**

The major consequence of rejecting some or all of the recommendations listed in the Attachment #1 is that those projects reliant on an increased budget for completion will be unable to be completed with their existing allocated resource.

5. PARTICIPATION AND ENGAGEMENT

5.1. Internal

5.1.1. 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.

5.1.2. 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 rollovers.

5.2. **External**

Not applicable.

6. IMPLEMENTATION

6.1. Not Applicable.

7. COMMUNICATION

7.1. Not Applicable.

8. RECOMMENDATION

- 8.1. That the Strategy and Policy Review Committee recommend that Council resolve to:
 - 8.1.1. Endorse the recommendations made by the Executive Director Community Assets and Services outlined in Attachment 1 - Capital Works Project Board Recommendations December 2008.
 - 8.1.2. Note that the next detailed report from the Capital Works Project Board will be in April 2009.