

Major capital investment in councils

Good practice checklist for project managers



 ACCOUNTS COMMISSION

Prepared by Audit Scotland
March 2013

The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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About this checklist

The Accounts Commission, as part of its policy of encouraging improvement, seeks to support developments in best value and resource management, recognising these as two key components vital to the successful delivery of council services.

Our audit '*Major capital investment in councils*' published in March 2013 assessed how well investment is directed, managed and delivered within councils. It considered the performance of a large number of recently completed major capital projects against time, cost and quality targets. It also reviewed the appropriateness of councils' capital programme management arrangements.

The audit included recommendations to help councils improve in this area. To help councils make improvements where necessary, the Accounts Commission also published a good practice guide, as part of the *How councils work* series. The guide included a set of questions, largely aimed at elected members, to support and promote effective scrutiny and challenge of major capital projects and programmes.

This checklist supplements the good practice guide. It provides a detailed self-assessment checklist - aimed at project managers rather than elected members - to promote detailed review and reflection and, if necessary, a basis for improvement.

Audit Scotland originally prepared this checklist in connection with its 2008 report, *Review of major capital projects in Scotland*. This concerned the work of central government and health bodies only. We have tailored this version of the checklist so that it refers specifically to councils and may be used in a council context.

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Vision and direction

Good practice area	Good practice statement	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Strategic alignment	<ul style="list-style-type: none"> The council and senior management team have prioritised projects according to the council's strategic priorities. Each project is established to support achievement of these priorities. 			
	<ul style="list-style-type: none"> The Senior Responsible Owner (SRO) has a clear vision of what the 'future state' looks like and clearly defined the project objectives and ensured that they align with the strategic objectives of the council. 			
	<ul style="list-style-type: none"> The SRO and senior management team is clear about and has documented how the project will affect and, where relevant, improve operational activities. 			
	<ul style="list-style-type: none"> The impact of wider plans to redesign services on the project delivery plan is reviewed on a regular basis, and vice versa. 			
Business case	<ul style="list-style-type: none"> Responsibility for owning and championing the business case process (Strategic Business Case, Outline Business Case, Full Business Case) is clearly allocated to the Senior Responsible Owner (SRO) 			
	<ul style="list-style-type: none"> The business case describes what the value is to the council from the outcomes of the project, documenting: <ul style="list-style-type: none"> Options have been identified and assessed 			

Good practice area	Good practice statement	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Business case (continued)	<ul style="list-style-type: none"> ○ Project procurement routes and options are fully explored, market tested and form part of the developed business case ○ The council is clear about the benefits expected and about how these will be achieved. ○ Project costs are built-up in a consistent manner, including specific risk and optimism bias allowances and realistic construction inflation costs. ○ The council has sought review of costs by a skilled individual / team without any stake in the numbers, and any issues that have been identified have been addressed. ○ There is clear understanding of the different purpose and requirements of each stage of the business case process. ○ The stakeholder (including funders) approval process is outlined within the business case, and their expectations of benefits to be realised has been appropriately managed. 			
	<ul style="list-style-type: none"> ● The business case has considered emerging service changes and changes within the business environment and how they may affect the project. 			

Good practice area	Good practice statement	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
	<ul style="list-style-type: none"> The business case is reviewed throughout the lifecycle of the project, to help test that any changes affecting it are justified, provide value for money and to help reinforce proper reporting and accountability. 			
	<ul style="list-style-type: none"> The business case is fully communicated to relevant stakeholders. 			
Sponsor commitment	<ul style="list-style-type: none"> The SRO has assurance that the Project Sponsor has: <ul style="list-style-type: none"> the most appropriate knowledge, credibility and seniority to influence the key stakeholders sufficient resources to discharge their obligations 			
	<ul style="list-style-type: none"> The successful delivery of the project is linked to the sponsor's personal performance metrics, with a successful outcome being pre-agreed by the SRO and approved by the council. 			

Planning

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Governance	<ul style="list-style-type: none"> Each project should have an identified investment decision maker, Senior Responsible Officer (also known as Project Owner) and Project Sponsor. 			
	<ul style="list-style-type: none"> There are clear and documented roles and responsibilities for SRO, Project Sponsor, Project Manager, including role descriptions, delegated authorities, council structures. 			
	<ul style="list-style-type: none"> The SRO is the senior individual with accountability for delivery of the project within budget. 			
	<ul style="list-style-type: none"> The SRO has appointed a Project Sponsor, where appropriate experience is required 			
	<ul style="list-style-type: none"> The SRO has considered and approved the project governance, documented roles and responsibilities and delegations of authority are effectively communicated. This includes: <ul style="list-style-type: none"> Clear identification of the management structure and decision making process within the project Process for escalation of issues to the 			

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Governance (continued)	appropriate forum, where decision making will be made on the action required to address them			
	<ul style="list-style-type: none"> For Project Boards, there are clear terms of reference, accountabilities and decision-making criteria. The Project Board is chaired by the SRO and attended by all stakeholders involved in the project 			
	<ul style="list-style-type: none"> Senior stakeholders within the public body require high levels of focus and assurance on major projects in order to take action to reduce the potential negative effects. These stakeholders include Committees (including Audit), Boards, senior management and Heads of Internal Audit. For these stakeholders, there is evidence that: <ul style="list-style-type: none"> All major projects and programmes are 'under control' and risks are being managed in terms of delivery on time and to specification, within budget and the benefits originally intended All projects in progress will have a measurable impact in supporting achievement of strategic objectives 			
	<ul style="list-style-type: none"> Where the project crosses organisational boundaries, there are clear governance arrangements in place to ensure sustainable alignment with the corporate 			

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	<p>objectives of all organisations involved.</p> <ul style="list-style-type: none"> The requirement for independent review and challenge of the project to provide assurance that the project continues to be effective has been defined and approved. Specifically, the audit committee has considered what degree of independent assurance and challenge it requires with regards to individual projects. 			
Risk management	<ul style="list-style-type: none"> The council has determined its “risk appetite”, considering the acceptable levels of risk in strategic, financial, operational regulatory and reputational terms, and it uses the results to inform the management of risks. The project’s risk processes are consistent with the council’s risk framework and reporting of risks is a two-way process (top down and bottom up) between the project and the council. Discussions about the level of project risk are undertaken at project sponsor level, and with peers in the council. The project risk management framework is embedded within the day-to-day project processes, such as a constraints, assumptions, risks, dependencies and issues log. 			

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Risk management (continued)	<ul style="list-style-type: none"> The Project Board has established and agreed tolerances for cost , time and quality for the project and has established clear escalation levels should the level of risk be outside of agreed limits. 			
Procurement strategy	<ul style="list-style-type: none"> The council has defined its procurement strategy within which the Project Board must manage the project's procurement remit. 			
	<ul style="list-style-type: none"> Discussions are held on tendering and contractual options, to ensure risks and potential opportunities of each are understood thoroughly. 			
	<ul style="list-style-type: none"> The project's procurement route reflects informed knowledge of the market and ensures an attractive approach for the market place is chosen. 			
	<ul style="list-style-type: none"> The procurement strategy is consistent with the agreed council's Risk Strategy. 			

Execution

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Project management	<ul style="list-style-type: none"> As an 'informed client' the Project Sponsor appoints a suitably experienced and qualified project manager either from within the council or externally after the agreement of the high level business case/ mandate. 			
	<ul style="list-style-type: none"> During initiation of the project, the project manager should be involved, but at a lower level of importance to the SRO and project sponsor. However once the project moves into the planning phase, then the project manager takes on most of the responsibility for that element of the project. 			
	<ul style="list-style-type: none"> The project plan has a direct relationship with the business case and overall strategy of the council. 			
	<ul style="list-style-type: none"> The project plan is broken down into manageable work streams and relevant project milestones that are meaningful to the Project Board to allow accurate and frequent progress tracking and maximise visibility of inter-dependencies. 			
	<ul style="list-style-type: none"> An analysis has been undertaken of the effects of any slippage in time, cost, scope or quality. 			

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Project management (continued)	<ul style="list-style-type: none"> Critical path activities identified, and used as a base timeline for other activities and interdependencies to report against. Allowance for planning time and 'stepping back' and fully assessing interdependencies. 			
	<ul style="list-style-type: none"> There is consistent application of a recognised project management methodology which is scalable, flexible and embedded in the culture of the council 			
	<ul style="list-style-type: none"> The project team has developed a resource plan for the duration of the project, so as to inform the Project Board on future and on-going resource requirements. 			
	<ul style="list-style-type: none"> There is an identified change strategy which defines project change processes with escalation and approval points. 			
	<ul style="list-style-type: none"> Independent project assurance reviews are carried out by the council and/or external parties at key milestones. 			
Procurement	<ul style="list-style-type: none"> The procurement route for the project should be tailored to the specific nature of the facility, be it standard or bespoke, and incorporate benefits to be delivered by the contractor. 			
	<ul style="list-style-type: none"> Commercial expertise / specialism is brought to bear to ensure optimal commercial conditions are fostered during procurement, and that commercially appropriate 			

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	terms are used in contracts – e.g. change controls.			
	<ul style="list-style-type: none"> The Project Board is informed by an suitably knowledgeable project manager who can demonstrate understanding of the capacity and capability of the market. 			
	<ul style="list-style-type: none"> Key risks generated through the choice of procurement route and contract type are identified and added to the risk register for management through the risk process. 			
Resources	<ul style="list-style-type: none"> Consistent cost estimating processes are used to develop and maintain project costings 			
	<ul style="list-style-type: none"> Contingencies have been identified and overlaid on base costs to allow for known risks, unknown risks, overhead and optimism bias. 			
	<ul style="list-style-type: none"> A change management process is in place and fit-for purpose to address any oversights. 			
	<ul style="list-style-type: none"> The project scope and finances are developed in detail prior to authorisation to spend is sought. 			
	<ul style="list-style-type: none"> Accounting systems have been set up to reflect the data required to track costs and billings by workstream line item 			
	<ul style="list-style-type: none"> The project team has sufficient allocated resources and 			

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Resources (continued)	the necessary skills to achieve the project objectives successfully.			
	<ul style="list-style-type: none"> The Project Board and the project team have access to relevant specialist expertise as required throughout the lifecycle of the project. 			
	<ul style="list-style-type: none"> Performance of project team is incentivised e.g. annual performance measures, to align individual expectations with the goals of the project. 			

Measuring and monitoring

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Project management	<ul style="list-style-type: none"> As an 'informed client' the Project Sponsor appoints a suitably experienced and qualified project manager either from within the council or externally after the agreement of the high level business case/ mandate. 			
	<ul style="list-style-type: none"> During initiation of the project, the project manager should be involved, but at a lower level of importance to the SRO and project sponsor. However once the project moves into the planning phase, then the project manager takes on most of the responsibility for that element of the project. 			
	<ul style="list-style-type: none"> The project plan has a direct relationship with the business case and overall strategy of the council. 			
	<ul style="list-style-type: none"> The project plan is broken down into manageable work streams and relevant project milestones that are meaningful to the Project Board to allow accurate and frequent progress tracking and maximise visibility of inter-dependencies. 			
	<ul style="list-style-type: none"> An analysis has been undertaken of the effects of any slippage in time, cost, scope or quality. 			
	<ul style="list-style-type: none"> Critical path activities identified, and used as a base 			

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Project management (continued)	<p>timeline for other activities and interdependencies to report against. Allowance for planning time and 'stepping back' and fully assessing interdependencies.</p>			
	<ul style="list-style-type: none"> There is consistent application of a recognised project management methodology which is scalable, flexible and embedded in the culture of the council 			
	<ul style="list-style-type: none"> The project team has developed a resource plan for the duration of the project, so as to inform the Project Board on future and on-going resource requirements. 			
	<ul style="list-style-type: none"> There is an identified change strategy which defines project change processes with escalation and approval points. 			
	<ul style="list-style-type: none"> Independent project assurance reviews are carried out by the council and/or external parties at key milestones. 			
Procurement	<ul style="list-style-type: none"> The procurement route for the project should be tailored to the specific nature of the facility, be it standard or bespoke, and incorporate benefits to be delivered by the contractor. 			
	<ul style="list-style-type: none"> Commercial expertise / specialism is brought to bear to ensure optimal commercial conditions are fostered during procurement, and that commercially appropriate terms are used in contracts – e.g. change controls. 			

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	<ul style="list-style-type: none"> The Project Board is informed by an suitably knowledgeable project manager who can demonstrate understanding of the capacity and capability of the market. 			
	<ul style="list-style-type: none"> Key risks generated through the choice of procurement route and contract type are identified and added to the risk register for management through the risk process. 			
Resources	<ul style="list-style-type: none"> Consistent cost estimating processes are used to develop and maintain project costings 			
	<ul style="list-style-type: none"> Contingencies have been identified and overlaid on base costs to allow for known risks, unknown risks, overhead and optimism bias. 			
	<ul style="list-style-type: none"> A change management process is in place and fit-for purpose to address any oversights. 			
	<ul style="list-style-type: none"> The project scope and finances are developed in detail prior to authorisation to spend is sought. 			
	<ul style="list-style-type: none"> Accounting systems have been set up to reflect the data required to track costs and billings by workstream line item 			
	<ul style="list-style-type: none"> The project team has sufficient allocated resources and the necessary skills to achieve the project objectives 			

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Resources (continued)	successfully.			
	<ul style="list-style-type: none"> The Project Board and the project team have access to relevant specialist expertise as required throughout the lifecycle of the project. 			
	<ul style="list-style-type: none"> Performance of project team is incentivised e.g. annual performance measures, to align individual expectations with the goals of the project. 			

Business acceptance

Good practice area	Key points to consider	In place? (Yes/No)	Comments to support or explain your assessment	Required actions
Change management	<ul style="list-style-type: none"> The Project Sponsor ensures relevant stakeholder involvement and buy-in to project changes throughout the project relative to business case objectives. 			
	<ul style="list-style-type: none"> The SRO manages the project change process within the pre-agreed tolerance levels 			
	<ul style="list-style-type: none"> The project team has developed a stakeholder map so as to identify stakeholder groups. 			
Stakeholder management	<ul style="list-style-type: none"> The SRO and Project Board have documented and agreed how stakeholders will be engaged e.g. ensure buy-in, overcome resistance to change, allocate risk to the party best able to manage it. 			
	<ul style="list-style-type: none"> A communication plan has been agreed by the SRO, and is regularly updated so as to inform stakeholders. 			
	<ul style="list-style-type: none"> Project Sponsor communicates with stakeholder groups on the achievement of project objectives. 			
	<ul style="list-style-type: none"> Lessons learned have been captured and shared across the council for future projects, and have been raised with other councils as appropriate. 			

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