

## KPMG INDEPENDENT REPORT ON THE LANCASTER WAY PROJECT

### JOINT RESPONSE BY CPCA AND CCC

The KPMG Independent audit report highlights that the Lancaster Way project is a legacy project whose origins go back to 2011 and that this was originally funded by the former Local Enterprise Partnership in 2016. The audit report also highlights that the scope evolved between 2016 and 2018 and that responsibility for funding and management shifted during the lifetime of the project. Both the Combined Authority and Cambridgeshire County Council recognise the defects in management of this project which resulted from that complex history. The management of the project did not, in our view, meet key elements of the project management standards required by the Combined Authority since 2018, and this view is supported by the audit report.

The Combined Authority and the County Council accept all the recommendations of the audit report. In some cases, the recommendations highlight practices and standards which have been required by the Combined Authority since 2018, in others practices and standards which have been introduced by the Combined Authority since then, and in a few cases require the Combined Authority to continue with current work on developing and improving practice. These standards are now imposed on delivery partners through funding agreements. Over the last calendar year, the Combined Authority has engaged delivery partners through workshops and briefings to ensure that its project management standards are understood and followed throughout the delivery chain.

As part of the County Council's on-going work to continuously review and improve its highways capital programme and project management it has introduced a range of management actions to strengthen its own systems and control environment. Where current and future projects require joint working with the Combined Authority the County Council will work to embrace and integrate into its own systems any changes to the Combined Authority's systems and processes, such as a new Assurance Framework, the revised 10 Point Guide, strengthened funding agreements, and any new project management systems.

The table below sets out:

- The detailed response to the recommendations;
- The action plan for those recommendations which require further action.

Recommendation	Response	Action plan for further improvement
1: Enhance Governance and Control, incorporating Change Control. Building on the existing CPCA Assurance Framework and Ten Point Guide to Project Management, the governance for projects delivered with CPCA and constituent local authority involvement should be refined.	<b>Accepted.</b> The Combined Authority's Assurance Framework and 10-Point Guide are routinely reviewed and updated. Elements of this recommendation have already been implemented through those regular reviews.	New iteration of Assurance Framework to be available in early 2021 as part of continuing work with BEIS, and a new iteration of the 10-Point Guide will be available in November 2020. Any outstanding issues will be implemented through this current review.

<p>This should include:</p> <ul style="list-style-type: none"> <li>• Best practice in establishing and setting requirements for key project roles such as Senior Responsible Owner and Project Director</li> <li>• A clearly defined gated process that enables interaction of key stakeholders and decision makers at the appropriate times.</li> <li>• Defining the key forums where accountabilities will be discharged, showing the linkage and relationship between those forums, provide details on the purpose, frequency, objectives, inputs, outputs and attendees</li> <li>• Setting forums required to deal with the general construction progress and</li> </ul>	<p><b>Already implemented.</b> Project Initiation Documents (PIDs) now include a project decision-making matrix and a RACI chart for key project roles, in the management case section. Upon inception, the RACI chart will be discussed with internal and external project teams to establish roles and this will be reviewed throughout the project lifecycle. RACI charts also record the role of Project Boards and Member Groups.</p> <p><b>Already implemented.</b> In the Management Case section, PIDs now include a project decision making matrix and a RACI chart for key roles, Project Board and Member Groups. A Gateway Review workbook is also included within the 10-Point Guide and is completed when a project passes a Gateway Stage. Milestones are reviewed during the monthly highlight report process and include gateway review points (Transport &amp; Infrastructure Committee and CPCA Board).</p> <p><b>Already implemented.</b> PIDs now include a project decision-making matrix and a RACI chart for key roles, in the management case section. Projects are structured to include Member Groups, Project Boards, Programme Board, as well as Transport &amp; Infrastructure Committee and CPCA Board. These structures are proportionate to the scheme complexity and value, with agreed authority as appropriate.</p> <p><b>Already implemented.</b> This is being evaluated and strengthened in the production of Funding Agreements</p>	<p>More guidance on stakeholder mapping/engagement will be included in a future iteration of the 10-Point Guide to complement the Gateway process already in place.</p>
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<p>buildability issues and forums required to provide updates to a broader set of stakeholders with different interests, skills and needs</p> <ul style="list-style-type: none"> <li>• Agreeing which reports are produced and by whom, and what input is required</li> <li>• An escalation and reporting structure through CPCA and the constituent local authorities</li> <li>• An explicit change control process with levels of delegated authority</li> </ul>	<p>(which sets out the tasks delivery partners are responsible for in schedule 5), scope documents and project inception meetings. PIDs now include a project decision-making matrix and a RACI chart for key roles in the management case section. This requires a clear distinction between managerial forums and stakeholder forums.</p> <p><b>Already implemented.</b> PIDs now include a project decision-making matrix and a RACI chart for key roles in the management case section. This includes requiring a clear distinction between managerial forums and stakeholder forums, which is proportionate to each stage and project with the requirement for agreement within four weeks of tender award in the baseline inception discussions.</p> <p><b>Already implemented.</b> CPCA have been developing a risk management strategy and associated documentation. We encourage our delivery partners and local authorities to adopt CPCA risk registers. Changes are escalated through project delivery.</p> <p><b>Already implemented.</b> CPCA change control processes are mandated by the 10-Point Guide and standard change forms are maintained by the PMO. These require sign-off from the Director or escalation to Board and/or Committee as appropriate. The CPCA have been developing a risk management strategy with associated documentation, which supports this.</p>	<p>Project documentation (including PIDs) is continually evolved and enhances this process. Project roles and escalation guidance between forums will be enhanced in the next iteration of the 10-Point Guide.</p> <p>We will work on strengthening future Funding Agreements to ensure the correct level of detail is contained within the schedules. Escalation and reporting guidance between forums will be enhanced in the next iteration of the 10-Point Guide.</p> <p>An early warning notice and change event reporting process, with a policy document detailing delegated authorities and escalation degrees, has been designed. This will be approved at the November Audit and Governance meeting for inclusion within the Combined Authority's project management processes.</p>
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<ul style="list-style-type: none"> <li>• Developing additional guidance around agreement of S106 requirements and around relaxation of release of s106 and other obligations imposed on 3rd parties including the factors to consider, due diligence to be performed, optioneering to complete, and the overall evidence assessment and decision-making process to be followed.</li> </ul>	<p><b>Already implemented.</b> S106 requirements are a Highway Authority controlled process. The CPCA Head of Transport meets with the Cambridgeshire County Council S106 Officer Team on a monthly basis to discuss details, concerns and subsequent compliance. The Assurance Framework also provides guidance which our projects need to demonstrate compliance against, particularly in relation to Value for Money (VfM) statements and independent reviews. The Management and Financial cases of PIDs and Business Cases also talk about alternative funding streams and would reference S106 funding appropriately.</p>	
<p>2: Effectively Set Baselines for Cost and Schedule, Informing a Robust Pipeline</p> <ul style="list-style-type: none"> <li>• Introduce a master schedule for all projects from project inception, incorporating best practice in scheduling</li> <li>• Set standards for estimating, and the quality and contents of the costs presented in the Commercial Case at SOBC, OBC and FBC</li> </ul>	<p><b>Accepted.</b> New Financial Management Account reports were established in early 2020 to improve financial reporting and Business Cases align with DfT’s 5 Case Business Model with cost estimating at each stage.</p> <p><b>Already implemented.</b> All projects are encouraged to maintain Gantt charts, from project initiation through the lifecycle. Highlight reports also contain major milestones, with baseline data.</p> <p><b>Already implemented.</b> Business Cases currently align with DfT 5-Case Business Case model and guidance associated, and within that aligns to cost estimating and economics at each key stage. This is then challenged within the VfM independent review process.</p>	<p>We are looking to utilise MS Project as standard, and to see how we can join up with our delivery partners in using this system.</p> <p>We shall look at engagement at the scoping stage of a project, to strengthen this area and set a standard, such as benchmarking against industry standards.</p>

<ul style="list-style-type: none"> <li>• Set the process for effective forward planning of expenditure</li> </ul>	<p><b>Already implemented.</b> New Financial Management Accounts were rolled out across the organisation in early 2020. This enables effective forward planning of expenditure. Future year budgets are included, which are discussed between Project Managers and Finance Managers and fed into the Medium-Term Financial Plan (MTFP)/annual budget setting review.</p>	
<p>3: Supplement CPCA Assurance Framework with Further Best Practice Guidance. Enhance the good work completed in the CPCA Assurance Framework with additional contents guidance for quality Business Cases. This may include:</p> <ul style="list-style-type: none"> <li>• Requirement for an ‘approval in principle’ - with regards to funding streams - with constituent local authorities, developers and other parties as part of the financial case at SOBC and OBC (i.e. agreeing the proportion of funding to be obtained for the project from the various stakeholders, and the sources of funding)</li> <li>• Requirement for a value for money calculation or statement as part of the strategic case at SOBC, OBC and FBC, identifying the funding envelope inside which value for money will be demonstrated and the way in which demonstration</li> </ul>	<p><b>Accepted.</b> The CPCA has Procurement support to provide advice on projects and VfM statements require sign-off at the appropriate stages.</p> <p><b>Already implemented.</b> At gateway points, the funding strategy for the next stage for contributors is approved prior to stage approval and subsequent budget agreements. Equally, funding applications for central government whole scheme funding have incorporated local contribution percentages. Committee and Board cycle is in place for approval of funding/commitment.</p> <p><b>Already implemented.</b> The 10-Point Guide and Assurance Framework requires VfM statement to be signed off by the Chief Finance Officer (CFO), as part of the Strategic Outline Business Case (SOBC), Outline Business Case (OBC) and Full Business Case (FBC). A form has now been developed to support</p>	<p>We will review the development of a finance and funding policy. A robust strategy could be strengthened at each stage as cost certainty is improved through detailed design.</p>

<p>of VfM should be assessed and reported</p> <ul style="list-style-type: none"> <li>• Guidance on what procurement routes are to be prioritised and explored in preparation of the commercial case at OBC</li> </ul>	<p>this. Transport project also have the VfM statement independently reviewed by Steers, and Agri-Tech and LGF projects have independent panels and appraisals. The VfM statement/process is proportionate to scheme complexity and costs.</p> <p><b>Already implemented.</b> The CPCA has a Procurement Manager and Officer, who support officers across the Combined Authority with expert commissioning, route to market, and contracting advice, with the support of the legal team. The capacity is available to those preparing commercial cases at OBC.</p>	
<p>4: Formalise Risk Management Approach. Set a framework for approaching risk management, including;</p> <ul style="list-style-type: none"> <li>• Quantifying uncertainty, optimism bias and risk allowances as part of estimates</li> </ul> <p>• The approach to contingency management,</p>	<p><b>Accepted.</b> The Combined Authority's Risk Strategy was updated at the end of 2019 and approved by the Board in January 2020. This includes a framework for approaching risk management and has been discussed at CMT meetings.</p> <p><b>Already implemented.</b> Risk and optimum bias calculations are completed as part of VfM and Business Case development.</p> <p><b>Already implemented.</b> A change control process already exists at the</p>	<p>Each Directorate will engage in specific training sessions to run through risk management and ensure regular review of programme risks.</p> <p>More guidance on standards is required. In the development of our risk management process and policies, we are establishing standardised optimism levels according to project stage, with a reducing percentage as costs and certainty develops through the design process. This has also been included in a new Change Control document that has been developed. All risks will be financially assessed against the risk appetite and risk tolerances.</p> <p>We have designed a risk management and cost control process, with</p>

<p>including identification of reserves and authorisation of draw-down through change control</p> <p>• Setting minimum standards for the identification and management of risk throughout the project lifecycle, using risk registers and Early Warning Notices</p>	<p>CPCA and standard change forms are maintained by the PMO. PIDs also now include a project decision-making matrix and a RACI chart for key project roles. This will identify who signs off change requests (Project Director or Senior Responsible Officer).</p> <p><b>Already implemented.</b> Risk registers are included in the monthly highlight reports. The risk registers are currently being reviewed and enhanced to include relevant and appropriate risk and action owners with the necessary delegated authority and clear escalation routes through the various levels of authority (including Board and Committees).</p>	<p>proposed delegated authority through the an early warning notice and change events approvals documentation. This policy will detail the need to challenge early warnings as opposed to accepting as a default. The risk allowance/contingency will also be detailed within the Funding Agreement as an element of the budget, only to be utilised through early warning/change event process. This will be approved at the November Audit and Governance meeting for inclusion within the Combined Authority's project management processes.</p>
<p>5: Improve Quality of Reporting, and Standardise Reporting Formats Building on the existing CPCA Highlight Report format, establish best practice reporting templates to consistently capture pertinent data from inception throughout the project lifecycle. This will incorporate:</p>	<p><b>Accepted.</b> The Combined Authority highlight report process is continually updated to improve the quality of reporting. This was updated in early 2020 to standardise with the new Financial Management Accounts. This reporting process and documentation is shared with our delivery partners and Local Authorities to streamline collaborative reporting. The new</p>	

<ul style="list-style-type: none"> <li>• An agreed approach to joint drafting between CPCA and CCC (or others as appropriate)</li> </ul>	<p>CPCA Finance reports are also shared with external partners.</p> <p><b>Already implemented.</b> Highlight reports and finance reports are shared with external partners early in the reporting month for completion, and external deadlines are in place to allow time for internal Project Manager's to review. Joint SharePoint folders have been established to allow for sharing for updated highlight report information. When the CPCA highlight report was updated substantially at the end of last year, external training sessions were also set up to ensure a shared understanding of what information is required.</p> <p>Reports will be prepared collaboratively, for example sharing for comment</p>	
<ul style="list-style-type: none"> <li>• Current available funding and sources</li> </ul>	<p><b>Already implemented.</b> Highlight reports focus on the CPCA's funding contribution only, but funding sources are maintained through the MTFP. The allocation of budget and expenditure is provided within the Financial Management Accounts for Project Managers to review. In addition, we explore 3<sup>rd</sup> party funding sources, such as S106 contributions and Community Infrastructure Levy (CIL) from Local Authorities, which can be detailed from the PID stage.</p>	
<ul style="list-style-type: none"> <li>• Budget, and projected expenditure split between costs to date and costs to go</li> </ul>	<p><b>Already implemented.</b> New Financial Management Accounts were rolled out across the organisation in early 2020. This enables improved reporting of available budget and projected</p>	



<ul style="list-style-type: none"> <li>• Schedule and milestone reporting</li>   <li>• Key risks and available contingency</li>   <li>• Current contract award value</li> </ul>	<p>expenditure. Actuals and forecast are also pulled through to the monthly highlight reports to provide an overview of the project. This is shared with the CPCA’s Corporate Management Team.</p> <p><b>Already implemented.</b> All projects are required to manage a gantt chart and milestones are to be included in the highlight report template. Programme reporting also contains key project milestones.</p> <p><b>Already implemented.</b> Copy of the CPCA risk register is included as part of the monthly highlight reports and updated monthly. The Combined Authority’s Risk Strategy was approved by the CPCA Board in January 2020. This includes a framework for approaching risk management and has been discussed at Corporate Management Team (CMT) meetings.</p> <p><b>Already implemented.</b> Finance reports show updated extracts from the MFTP and identify what is approved and subject to approval. This is updated after Board and Committee meetings. Budget information is then included in the highlight reports.</p>	<p>We have developed a risk management and cost control process, with detail on establishing contingency. This will be approved at the November Audit and Governance meeting for inclusion within the Combined Authority’s project management processes.</p>
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