

**Agenda Item 10**

**Enclosure 6**

**Health and Care Professions Council  
22 May 2019**

**186 Kennington Park Road project review  
learning**

**For discussion**

**From Paul Cooper, Head of Projects**

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## 186 Kennington Park Road project review learning

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### Executive Summary

This paper explores the learning from a recent internal audit review of the 186 Kennington Park Road renovation project. It provides information on the development of the HCPC's project methodology.

At its meeting in March 2019, the Audit Committee recommended that this learning be brought to Council for consideration.

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Previous consideration	<p>The Audit Committee considered the internal audit report at its meeting in March 2019. The minutes of this meeting were considered by Council at its meeting in March 2019.</p> <p>SMT approved the initiation of the project methodology development in February 2019.</p>
Purpose of report	<p>The Council is asked to discuss the paper.</p>
Next steps	<p>SMT will continue to receive updates on the implementation of the revised project methodology.</p>
Strategic priority	<p>3 - Effective and efficient organisation - ensure the organisation is fit for the future and able to anticipate and adapt to changes in the external environment.</p>
Risk	<p>Strategic risk 4. Failure to be an efficient regulator</p> <p>Appetite</p> <ul style="list-style-type: none"><li>• The Council 'seeks' innovation that supports public protection, quality and efficiency. We balance embracing new technology and ideas with impact and financial investment and assess projects accordingly.</li><li>• The Council will take a 'measured' approach when investing in building and equipment maintenance and replacement, but may take informed risks if the benefits merit that.</li></ul>

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Financial and resource implications ..... None as a result of this paper. The project methodology review work is included in the IT and Resources work plan and budget for 2019-20.

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## 1. Introduction

1.1 This paper describes the approach being undertaken by the Major Projects department as part of the overall methodology review, and specifically in response to the recommendations made by the internal audit review of the 186 Kennington Park Road project (with respect to benefit realisation and tracking), considered by the Audit Committee in March 2019.

1.2 The internal audit review focused on whether the project had clear objectives, benefits and costs were established, and if Council and senior management provided appropriate oversight on options and decisions made.

1.3 The audit findings can be summarised as:

*“Overall, we have found that for both the purchase and subsequent renovation, analysis of options and justification for the selected course of action has been documented. Official approval for funding and for the project to proceed had been sought and gained at each major stage in the project.*

*We also observed a number of instances of good practice including:*

- *Analysis of the relative merits of options available and including all aspects, such as staff retention, and not just those directly related to the physical accommodation itself*
- *Support of the project at a senior level, specifically the oversight and support provided by the Chief Executive*
- *In the latter stages, engagement of specialist project management resource with strong relevant experience.*
- *While these good practices were observed, we have also raised two medium level observations.”*

1.4 A key finding of the review related to the use of benefits realisation in HCPC projects. These findings are set out in detail at appendix 1. The Executive’s management response outlines planned changes to the HCPC project methodology, which is expanded on below.

1.5 The report also noted the lack of a detailed cost benefit analysis of options as part of the procurement strategy.

## 2. Methodology review

### *Background*

2.1 A project is formed to produce a defined set of objectives (also referred to as outputs or deliverables) supported by a business case in a controlled manner. The business case should demonstrate how achieving these

objectives will create, improve, be neutral to; or decrease benefit (disbenefit) to the organisation.

- 2.2 Benefits may be realised within the lifecycle of the project, after the project, or be an enabler for achieving an objective within another project. A benefits management process ensures that benefits are clearly defined, owned, measurable and realised by the organisation.
- 2.3 Benefits tracked should be relevant to the organisation's objectives and be achievable and measurable. The benefit value may relate to a financial improvement, a reduction of risk, and improvement of service or environment, or be essential for continued operations (such as technology upgrade, or in response to a regulation change).
- 2.4 Project selection should be derived from an analysis of the benefits to ensure the cost associated with the realisation of those benefits is appropriate – although not all benefits are easily quantifiable in monetary terms (e.g. improvement of staff wellbeing).

#### *Current state assessment*

- 2.5 The existing project delivery methodology recognises the benefits during business case development and is expressed during the initiation phase within a project and is reported on during closure.
- 2.6 Net Present Value (NPV) calculations are performed on the recommended option where appropriate, however the detail may vary from project to project.
- 2.7 Cost options are presented during the business case, and includes high-level reasoning supporting the options.
- 2.8 Project approval can be biased towards immediate outgoing cost to the organisation, rather than by the stated benefits - which in some cases may be essential to maintain HCPC's regulatory obligations.

#### *Future state objective*

- 2.9 The improvement work as part of the methodology review will increase the focus on benefits identification and realisation from the point of project start-up.
- 2.10 The adoption of a more Agile delivery framework has an indirect but positive impact on benefits, creating the opportunity to realise benefits earlier in the lifecycle, rather than necessarily changing the overall benefit realisation objective.

2.11 The objectives of the benefit management workstream of the methodology review are:

- Proposed benefits will be identified, quantified, assigned a business owner and recorded in a benefits tracker – this will form part of the initial business case.
- A benefit realisation plan will be created during project initiation and will be managed through the project lifecycle. Material changes during the project lifecycle will trigger an exception process.
- During initiation cost options will be included with an appropriate level of analysis – arguments to support this will be included in the case to ensure appropriate debate when the case is presented.
- At project closure, a transitional plan will be agreed with the operational business owner to ensure ongoing realisation of benefits continues.
- At project closure, a post-project review will be scheduled at an agreed interval by the board to ensure that benefits continue to be realised as planned. This review may be facilitated by the projects team.
- From the Start-up phase (and each subsequent phase) project costs will include a planned reflection of savings as a result of benefits in a financial model demonstrating net future year costs (and possible breakeven points).

*Immediate plan*

2.12 Effective immediately, all new projects will capture the following additional information in the following draft templates:

- Benefits tracker – name, owner, value (financial if measurable), status
- Realisation Plan – during and post project
- Post project review plan – agreed at closure

### **3. Further audit review findings**

3.1 Recommendations not related to benefits realisation are outlined below, along with the management responses.

### *Contingency*

- 3.2 Whilst contingency amounts were included for each stage of the project, no explanation was documented as to how the amount was arrived at. It was also recommended that a procedure for the approval of contingency funds be implemented.
- 3.3 In future: The methodology review will include formal stage gates and decision points for key events. As part of this the level of contingency will be reviewed to ensure that an appropriate level is set per project if a straight 15% is not applicable.

### *Oversight challenge*

- 3.4 While interviewees stated that robust discussion and challenge took place in both Finance and Resources Committee and Council meetings this was not reflected in the formal minutes of those meetings.
- 3.5 The Audit Committee discussed this finding and agreed that meeting minutes are now more robust in recoding debate, whilst maintaining a record of consensus. It was felt that appropriate challenge is now provided by Council.

### *Record organisation*

- 3.6 A project summary, or other document, was not kept to hold all key decisions in one place to facilitate future review.
- 3.7 As a result: The methodology has been updated to reflect the need for a project file. All projects, once closed are archived to a separate folder and maintained online. The project manager's handbook has been updated to reflect this.

## **4. Future estates consideration**

- 4.1 The estates strategy was considered by Council in February 2019. It was agreed that the strategy should be revisited no earlier than March 2020, following the transfer of social worker regulation; the fee rise; and decisions by government for the reforming regulation initiative.
- 4.2 In future: The development of the corporate strategy will also include consideration of the HCPC's longer term accommodation needs.

Audit finding and potential risk	Management response and agreed actions	Rating
<b>Benefits realisation</b>		
<p>Finding - There is no evidence that a full cost benefits analysis was performed nor were benefits realisation tracking procedures established for the 186 KPR project specifically, and we could not see evidence that a procedure exists whereby tracking is established for all projects.</p> <p>Based on interviews held, however, there is anecdotal evidence that benefits have been realised, though not given a financial value</p> <p>Risk - In the absence of benefits realisation tracking, there is a risk that benefits may be significantly lower than expected and that the shortfall may go unnoticed leading to a business case that is no longer viable.</p>	<p>The existing methodology caters for limited benefits management through the net present value (NPV) calculations submitted as part of Initiation. The Financial Year (FY) 2019-20 work plan includes an activity to update the methodology in line with the draft government standard for project delivery (GovS002). This methodology update will embed benefits and the realisation plan both, during and post project at its core.</p> <p>Management will ensure that this methodology update retains a standard benefits realisation tracking procedure as part of its core scope.</p> <p>Date Effective: 31/03/2020 Owner: Head of Projects</p> <p>Immediate action: re-enforce the existing process to ensure benefits are identified and presented during Initiation, along with proposed owners, proposed realisation timeframe and agreement is reached on the appropriate level of measure.</p> <p>Date Effective: 31/03/2019 Owner: Head of Projects</p>	Medium
<p>Finding - The project initiation document and papers submitted to Council for the renovation project include costs but do not clearly identify the total value of benefits.</p> <p>The business case for the original purchase of 186 KPR did, however, include values for many of the benefits of the purchase option when compared with others considered at the time. For example, the expected additional costs of relocation outside London, such as potential redundancy payments, were described in detail.</p> <p>Risk - There is a risk that the project may be authorised even if it is not financially viable or affordable. There is a further risk that the success of the project may not be easily measured at completion against its original objectives.</p>	<p>As per point 1 (finding 1), the project management methodology review will expand on the current options analysis and benefit tracking contained within the methodology.</p> <p>The existing methodology does reflect the need for benefit identification and NPV calculations, and these are now included in the project Initiation activities.</p> <p>Looking forward, Business Case options will be anchored by the benefits to be realised, over what time frame and at what cost. Where benefits are non-tangible, or it is not appropriate to calculate, it will be called out clearly in a benefit realisation plan.</p> <p>Date Effective: 31/03/2020 Owner: Head of Projects</p>	Low