



Glasgow City Region – City Deal

Cabinet

Report by Director of Regional Economic Growth

Contact: Jane Thompson, Ext.75369

Item 3

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Proposed Scheme of Delegation for the City Deal

Purpose of Report:

This paper sets out proposals for further delegation from Cabinet to the Chief Executives' Group (CEG) and to the Director of Regional Economic Growth [the Director] with these changes aimed at enabling the timeous processing of approvals for the expected increase in the volume of FBCs and Change Controls submitted to the PMO in the next phase of City Deal Programme delivery.

Recommendations

The Cabinet is invited to:

- (1) note that the proposals set out within this paper have been reviewed and approved by the Financial Strategy Group members;
- (2) agree the proposals set out in section 7; and
- (3) note the Assurance Framework will be updated to reflect the new arrangements as part of its annual refresh in October 2020.

1. Introduction

- 1.1 As the City Deal Programme progresses through Gateway One with more projects moving through Strategic and Outline Business Case development to the procurement and delivery stages, the volume of Full Business Cases (FBCs) which require to be considered and approved by the Chief Executives' Group is set to increase significantly, with approximately 40 (of the remaining 82) due to be submitted for approval during 2020.
- 1.2 In addition to an increase in the volume of FBCs, an increased level of Change Control Requests are expected to be submitted for those projects with approved FBCs which now require to seek approval for changes resulting from recent Covid-19 related impacts.
- 1.3 The creation and appraising of this volume of FBCs by Member Authorities and the PMO respectively within the existing four-weekly CEG reporting cycle is expected to present significant resourcing issues for both parties, with submissions and appraisals reports having to be produced for CEG papers' circulation deadline.
- 2 **Purpose** This paper sets out proposals for further delegation from Cabinet to the Chief Executives' Group (CEG) and to the Director of Regional Economic Growth [the Director] with these changes aimed at enabling the timeous processing of approvals for the expected increase in the volume of FBCs and Change Controls submitted to the PMO in the next phase of City Deal Programme delivery.
- 3 **Background** Clauses 3.5 to 4.5 of the City Deal's Joint Cabinet Agreement set out the matters reserved to the Cabinet, the Chief Executives' Group's main responsibilities and the Director's responsibilities.
- 3.2 With regards to delegation, the Agreement specifically notes:
 - in addition to the responsibilities stated within, the CEG will also undertake such other activities as are delegated to it by the Cabinet (Clause 4.6); and
 - that any material financial decisions relating to City Deal over and above that set out [the City Deal document] must be referred back to each Member Authority for a decision (Clause 3.7) with this matter not reserved by Cabinet.
- 3.3 However, while the Agreement sets out reserved matters and responsibilities, it does not include a scheme of delegation, providing a framework and guidance for the application of a risk-based approval and decision making powers delegated to the CEG and the Director in order that they can undertake their responsibilities.
- 3.4 The absence of an associated scheme of delegation has led to a number of resource and process issues with regards to:

- the draw-down of the PMO's approved annual budget;
 - the approval of business cases, some of which are relatively low value;
 - the approval of Change Control Requests, many of which relate to relatively minor changes.
- 3.5 More information on the existing arrangements and issues are set out in the following sections.
- 4 **Existing Arrangement for PMO Expenditure** The current arrangements provide limited delegated authority for the Director to spend within the PMO's approved annual budget categories, requiring approval requests for the draw-down of PMO expenditure to be approved by Cabinet throughout the year.
- 5 **Existing Arrangement for Business Case Approvals** The Cabinet Agreement does not outline the powers of the Cabinet with regards to business case and project change approvals, rather these were set out within the Assurance Framework 2015, which stated that all three versions of a project's business case (from SBC through to FBC), should be approved by Cabinet.
- 5.2 However, these principles were developed on the expectation that each of the 21 projects within the Initial List would have a maximum of three business case versions, resulting in a still not insignificant 63 cases to be approved by Cabinet over the first five years of the Programme. However, recognition that some of the 21 projects were in themselves mini programmes with a number of projects within them, resulted in a multiplying of the number of business cases to be developed to an estimated 175.
- 5.3 In recognition of the increase in the number of lower value business cases to be approved, and the Cabinet's expressed interest in spending more time developing its strategic approach to economic growth, in August 2017 the Cabinet approved a revised approach to business case approval which saw decisions for all SBCs and OBCs reserved for Cabinet with delegated powers to approve FBCs given the CEG, provided the Programme Management Office and the CEG was content that the FBC did not represent a substantial change from the approved OBC.
- 5.4 Since then, the CEG has approved FBCs ranging widely in their value from a high¹ of £29.7m to just² £77,000. This range of values suggests there is scope for further delegation of approvals, avoiding the Region's eight Chief Executive Officers from overseeing approvals of disproportionately low levels of funding given their senior positions.
- 6 **Existing Arrangement for Change Control Request Approvals** The Assurance Framework 2019 and associated Programme Management Toolkit 2020 advise Member Authorities that:
- they are permitted to manage all change within the parameters of their last approved business case, including the project-level information stated

¹ 25/04/19 CEG for the Glasgow Airport Investment Area

² 20/06/19 CEG for contribution to commercial space in Govan Old Parish Church

with the Programme Business Case 2019 where this superseded the Project's last business case; and

- that any proposed changes outwith their business case parameters must be submitted in the form of a Change Control Request (CCR) to the Programme Management Office.

6.2 In the absence of delegated authority for the CEG and/or Director to approve CCRs, all requests, irrespective of their scale, and associated potential risk, require to be submitted for approval by Cabinet.

7 **Proposed Delegation of Powers to the Director of Regional Economic Growth** In order to mitigate the issue outlined in the previous sections which are presented by the existing arrangements, it is proposed that:

a) the Director is granted delegated authority by Cabinet to approve:

- I. All PMO expenditure within the spend categories included within the PMO's annual budget once approved by Cabinet, ensuring that where goods and services are procured, this is undertaken in line with Glasgow City Council's (the Lead Authority) procurement requirements;
- II. FBCs to a value of £4,500,000, on the condition that where any changes between the information proposed within the FBC and the OBC previously approved by Cabinet, the change is minor;
- III. Change Control Requests, again where the proposed changes could be considered minor.

b) the CEG is granted delegated authority by Cabinet to approve:

- I. Change Control Requests where the proposed changes could be considered moderate.

7.2 Further details of what constitutes a minor and moderate change are set out in Appendix 1 and are based on the risk categories included within the City Deal's approved risk strategy as contained within the Programme Management Toolkit 2019.

8 **Risk Mitigation** The following section sets out the justification for the values proposed for Director approval and additional controls which it is proposed should be implemented to reduce the risk associated with the proposed delegations.

8.2 The proposed maximum value has been identified based on the level of delegation afforded within the Lead Authority's, Glasgow City Council's, Scheme of Delegations to directors, where for example, the Director of Governance and Solicitor to the Council is permitted to approve work contracts to a value of £4,551,413, with contracts of a higher value requiring to be approved by the Contracts and Property Committee.

- 8.3 In addition to this level of delegation already being exercised within the Lead Authority, it should be noted that the approval being granted by the Director for Regional Economic Growth, would arguably be of lower risk as it relates to the release of funds previously allocated and approved by Cabinet at OBC stage, as opposed to the arguably higher financial risk associated with the awarding of contracts.
- 8.4 The proposed value has been considered and approved by the Financial Strategy Group.
- 8.5 All FBC appraisals, including those eligible for approval by the Director, will continue to be appraised in line with the Green Book requirements and will require to be fully compliant prior to being approved.
- 8.6 In the same way that Cabinet receives a report summarising the FBCs approved by CEG in the period, it is proposed that an equivalent report will be submitted to each CEG outlining the decisions taken by Director under the delegated arrangements with regards to FBCs and Change Control Requests in the period. Where FBCs and CCRs are assessed as constituting a moderate or significant change, these will be referred to the CEG and Cabinet respectively for consideration.

9 **Expected Benefits of Proposed Delegations** It is intended that the application of the proposed delegations would result in the following process changes:

- those FBCs requiring CEG approval will be reviewed in the first two weeks of the four-weekly CEG reporting cycle in order that Approval Reports can be included within the CEG papers;
- those FBCs not requiring CEG approval will be reviewed in the last two weeks of the four-weekly cycle with approval confirmation along with an Approval Report, issued directly to Member Authorities by the Director of Economic Growth.

9.2 The anticipated benefits of the application of the proposed delegations include:

- a significant reduction in the number of FBCs being considered by CEG allowing more time for consideration of other strategic matters; an estimated 45 of the remaining 82 FBCs would be eligible for approval by the Director (should appropriate conditions regarding minor change be met), with approximately 20 in 2020;
- an easing of work planning pressure for both Member Authorities and the PMO resulting from the current need for all submissions and appraisals to be undertaken for a fixed date in the four-weekly cycle, with the new arrangements allowing for an estimated 50% of FBCs to be submitted, appraised and approved at any point in the four-weekly cycle;
- reduced likelihood of Project slippage due to missing the FBC submission deadline in a cycle and having to wait four-weeks until the next CEG meeting.

10 **Recommendations** The Cabinet is invited to:

- (1) note that the proposals set out within this paper have been reviewed and approved by the Financial Strategy Group members;
- (2) agree the proposals set out section 7; and
- (3) note that the Assurance Framework will be updated to reflect the new arrangements as part of its annual refresh in October 2020.

Appendix 1: Proposed Delegations

Risk to Programme Objectives	Approval Delegated To	Approval Limit for Requested Changes				To be informed
		Scope / Quality	Finance	Benefit	Timeline	
Critical 5 / Major 4	Cabinet	Significant reduction in scope / quality	Significant variance in any aspect of project's financial plan (e.g. increases in cost over £100k) with written confirmation that required approval has been gained from the MA(s) ³ to absorb additional costs and/or funding is available to be vired from other City Deal project in line with Virement Policy	Significant reduction /modification in benefits which may result in material change to project Benefit Cost Ratio / targeted beneficiaries	Significant change in schedule (>25% overrun)	UK and Scottish Governments via agreed Communication Protocol
Moderate 3	Chief Executives' Group	Moderate reduction in scope / quality	Moderate variance in any aspect of project's financial plan (e.g. increases under £100k) with written confirmation that required approval has been gained from the MA(s) to absorb additional costs and/or funding is available to be vired from other City Deal project in line with Virement Policy	Moderate reduction in quantity/moderate modification in benefit type which is not expected to impact materially on overall project Benefit Cost Ratio / change target beneficiaries	Moderate change in schedule (15%-25% overrun)	Cabinet via Business Case Approval Report for FBCs; Cabinet via PMO Status Report for Change Control Requests.
Minor 2 / Negligible 1	Director of Regional Economic Growth	Minor reduction in scope / quality	Minor variance in any aspect of project's financial plan (e.g. increases under £50k) with written confirmation that required approval has been gained from the MA(s) to absorb additional costs and/or funding is available to be vired from other City Deal project in line with Virement Policy	Moderate reduction in quantity/moderate modification in benefit type which is not expected to impact materially on overall project Benefit Cost Ratio / change target beneficiaries	Minor change in schedule (up to 15% overrun)	CEG and Cabinet via Business Case Approval Report for FBCs; CEG and Cabinet via PMO Status Report for Change Control Requests.

³ For joint Regional Projects confirmation will be required from all relevant Member Authorities.