

Economy and Enterprise

Overview and Scrutiny Committee

4 November 2024

Major Programmes and Projects



Report of Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

Electoral division(s) affected:

Countywide.

Purpose of the Report

- 1 This report (and accompanying presentation) provides an update to EEOC on the overall approach and performance of Major Programmes and Projects delivered by the Regeneration and Economic Growth (REG) Directorate. It provides an update on key project delivery issues and provides an update on particular projects being delivered in REG, highlighting how these issues impact delivery.
- 2 The aim of the report is to provide assurance to the EEOC that appropriate standards and controls exist to ensure programmes and projects are set up for success, are delivered consistently across the service area and that within the delivery framework there are adequate and appropriate levels of control, challenge, and intervention.

Executive summary

- 3 In 2021 a Major Programmes Board (MPB) was established to oversee the REG portfolio and is responsible for its strategic direction. It was established in recognition of the significant increase in the number and value of capital projects being undertaken across REG and to ensure the effective management of resource.
- 4 The MPB has overseen the development of a Portfolio Office (PO), it has established a governance framework for the delivery of all programmes and projects and is the hub for coordinating all programme and project information, monitoring and intervention activities.
- 5 The PO ensures the MPB has oversight of significant programme and project activity informed by accurate data covering programme, cost,

quality, reputation, and risk. It does this through an established monitoring and reporting framework. This report will set out for the EEOC the role of the PO and MPB and provide details of the governance framework and reporting arrangements for Major Programmes and Projects.

- 6 The current environment to deliver projects has been very challenging over the last few years, with increased rates of inflation, higher borrowing costs and shrinking markets impacting the viability and deliverability of projects.
- 7 Despite these challenges the service is managing an increased portfolio of projects, delivering more and larger projects, many of which are significantly complex, involving multiple stakeholders, demonstrating delivery credibility to funders, as shown by the significant volume of external funding secured.
- 8 The accompanying presentation provides a summary of these key project delivery issues and measures the council has put in place to mitigate these. It also provides some specific updates regarding a number of major projects that have been delivered over the last year and are nearing or are close to completion, and which illustrate the delivery and potential issues faced by the council, these include – The Story, Belmont Secondary and Primary School and NETPark Phase 3.

Recommendation

- 9 EEOC is asked to receive the report and provide commentary on the established arrangements for the effective delivery, management and performance of Major Programmes and Projects across REG.

Background

- 10 In 2021 a Major Programme Board was established. It was established due to the significant increase in the number and value of projects that REG were responsible for delivering and the need to ensure the directorate had robust overview of performance and delivery across its portfolio of projects.
- 11 This trend has continued with the REG Capital Programme growing year on year. At the beginning of this year there were 150 schemes with a value of £167,396,016. This represents a 195% increase from £56.8m six years ago in 2018/19.
- 12 Even in this current financial year 2024/2025, projects numbers and the overall value of the programme has increased in year from 150 to 156

schemes, and has increased in value from a base budget figure of £167,396,016 to £177,002,379. Further increases in budget are anticipated this year as additional external funding is secured and built into the programme. The value of the programme remains significantly high next year also, with a starting base budget currently at £167,297,180, as can be seen in the table below.

Year	Number of Schemes (start)	Start of Year	Number of Schemes (end)
2018/2019	112	56,832,126	118
2019/2020	94	67,623,930	116
2020/2021	130	85,434,542	145
2021/2022	139	87,554,297	179
2022/2023	166	129,318,414	178
2023/2024	149	136,340,000	152
2024/2025	150	167,396,016	
2025/2026		167,297,180	

- 13 The above figures refer to REG capital projects that are in development or delivery only. This means those projects which are commissioned and delivered in REG and where REG are the budget holder. These figures do not include projects delivered by REG on behalf of other Council services. The construction team in REG may be appointed to deliver projects on behalf of other council directorates, such as major projects like new school builds or children homes. Currently the construction team in REG is managing the construction delivery of around 60 non-REG schemes on behalf of other services.
- 14 It is also important to note that the figures above do not include the full scale and the complexity of projects in pipeline development and the resource intensive nature of these e.g., Durham Innovation District, Aykley Heads £250m, Milburngate £130m, Jade Phase 2 £100m or Forrest Park £120m. This is because these projects are not directly in the capital budget as they are delivered through different commercial or partnership models such as a joint venture, however in terms of the value of investment and the value to jobs and growth across the County they are significant.

- 15 The delivery of projects is set against an environment that has been very challenging over the last several years where we have seen considerable increases in inflation, higher borrowing costs, shrinking markets and shortages in skills.
- 16 By the end of 2023, the BCIS (Building Cost Information Service) estimated that building costs had risen by 26.2% in the period January 2020 – December 2023. This has impacted the delivery of projects, where projects budgets have been set but sub-contractor prices have increased, with many companies not holding to order books or guaranteeing supply chain prices, including steel. There has been substantial increases in some material commodities, of up to 40-50% increases. There has also been an increased focus on repair and maintenance, outstripping new build order books across the UK in 2023. All of which impact on the delivery of projects.
- 17 Despite this challenging environment the service, through strong governance has continued to manage and deliver a portfolio that has increased in volume both in project numbers and value. Many of these projects are significantly complex, involving multiple stakeholders, with time, cost, quality parameters needing to be managed and balanced.
- 18 More recently however in 2024 the new build order book has picked up and there are signs of improving stability, and more positive news with recent falls in inflation rates and with likely interest rate cuts coming confidence is beginning to return to markets. These issues are set out in the accompanying presentation (Appendix 3).

Major Programmes Board

- 19 REG has put in place a number of measures to help manage projects in this challenging delivery environment. Through REG's Major Programmes Board an established governance framework is followed, providing the board with effective management and monitoring oversight of performance and delivery issues and risks across its portfolio of projects.
- 20 The purpose of Major Programmes Board is to achieve a holistic overview of the REG Portfolio. It provides direction and constructive challenge across all areas of the Portfolio; it reviews the performance of programmes and projects (including delivery and spend - forecast vs actual and engagement) and also assesses and resolves service areas

risks and issues. The Board provides direction across the Portfolio and its stakeholders in order to make key strategic programme decisions, including the management of resources. The MPB is in addition to the specific project boards that exist for every major project.

- 21 The MPB meets continues to meet every six weeks. Reporting of Performance data, collated through a Programme Tracker, allows the MPB to track and assure the programme mandates and objectives against the Directorate's wider strategic objectives and ensure projects are achieving expected outcomes.
- 22 Following MPB Meetings Lead Cabinet Member Reporting sessions are also held so the latest position on Programmes and Projects are reported thereby ensuring Members are appraised in a timely manner.
- 23 Data is collected and reported on all of REG's major programmes and projects. These have been identified and selected following a prioritisation process using the following set of criteria:
 - Level of Risk - Reputational, Political, Environmental, Customer and effort required (REG resource), and
 - Weighting against selected priorities such as:
 - Profile (Priority to local/ national policy or a high profile stakeholder)
 - Level of impact against DCC outcomes
 - Investment value – threshold level above >£5m
 - Complexity of delivery
- 24 The benefit of utilising this process is to determine which project or programme is more critical to REG's strategic objectives and to support the Major Project Board in decision making.
- 25 The Portfolio Office has established an agreed Business Process that all projects within REG must follow (See Appendix 2). This process covers the lifecycle of projects and provides a structured framework for the delivery and management of projects, from project start up to close out. This overarching Business Process provides a consistent approach to all project types delivered in REG, including both capital and revenue.

- 26 The lifecycle process has four stages - Concept, Define, Delivery and Handover, and Closure. Each Stage has its own set of activities, including expected deliverables and milestones needed to navigate the Gateway reviews. These Gateways provide a checkpoint for assurance that the project / programme remains viable and on-track with its approved plan.
- 27 The Portfolio Office has developed guidance that helps sponsors and those responsible for project delivery navigate this business process. This Portfolio, Programmes and Projects (PPP) Guidance is supported by a suite of project templates and tools that ensure projects are delivered in a more efficient and consistent way, ensuring more successful achievement of project outcomes.
- 28 The above paragraphs describe the development of the Major Programme Board and Portfolio Office. They also explain the process for the management, monitoring and performance of major schemes across REG and provide details of the suite of documents that scheme managers use to develop and deliver their schemes.
- 29 The documents also highlight how risk items are identified and the actions taken to mitigate any risk and of the reporting mechanisms so senior members are appraised on projects across the REG service area.

Programmes and Projects

- 30 The REG Portfolio of programmes and Projects is considerable across a range of thematic areas and can grouped into the following themes:
- Housing Renewal & Development
 - Town Centre Improvements
 - Employment Sites
 - Transport & Connectivity
 - Visitor Economy
- 31 Some of the major projects that fall within these groupings are detailed below:

Housing Renewal & Development

- Housing Regeneration Schemes – Horden, Seaham Colliery, Easington Colliery
- Newton Aycliffe HIF
- Seaham Garden Village
- Council House Building Programme
- Single Homelessness Accommodation Programme

Town Centre Improvements

- Bishop Auckland – Future High Streets and Stronger Towns
- Towns & Villages Programme
- Leisure Transformation
- Spennymoor Long Term Plan for Towns

Employment Sites

- Aykley Heads Durham Innovation District
- NETPark Phase 3,
- Milburngate
- Jade Business Park
- Forrest Park
- Integra 61
- South Church

Transport & Connectivity

- Toft Hill Bypass
- Seaton Lane A19
- Eastern Road Sustainability Corridor
- Active Travel Infrastructure Scheme
- Park and Ride

Visitor Economy and Cultural

- The Story
- Former DLI MAG
- Into the Light Partnership
- Durham City Cultural Venue
- Stockton to Darlington Heritage Railway Programme
- Heritage Place Partnership (Shildon)

- 32 The accompanying presentation provides further detail on the delivery of three major projects that have been delivered over the last year and are nearing or close to completion, these are The Story, NETPark Phase 3 and Belmont Secondary and Primary School.
- 33 As with any project there are aspects that are commercially sensitive with details that cannot be disclosed. With this in mind a presentation covering the specific projects has been prepared and information provided appropriately.

Conclusion and Next Steps

- 34 Members of the EEOC are asked to provide feedback on the report and presentation which sets out the approach to the management, monitoring and performance of Major Programmes and Projects.

Background Papers

None

List of appendices

- Appendix 1 – Implications
- Appendix 2 – Business Process
- Appendix 3 - EEOC Presentation Slides (separate Appendix)

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Appendix 1: Implications

Legal Implications

There are no legal implications arising from the report.

Finance

There are no financial implications arising from the report on MPB Processes.

Consultation

REG employees were consulted on the establishment of the Major Programme Board and Portfolio Office governance framework.

Equality and Diversity / Public Sector Equality Duty

The appropriate level of training and development has been provided to all teams across REG involved in Programme and Project Delivery. This ensures all team members are respected, involved and able to bring their own strengths and skills to their roles. Programme and Project management documentation has also been prepared in an easy to understand form.

Climate Change

There are no climate changes issues arising out of the report.

Human Rights

There are no human rights issues arising out of the report.

Crime and Disorder

None.

Staffing

There are no specific staffing issues arising out of this report.

Accommodation

None.

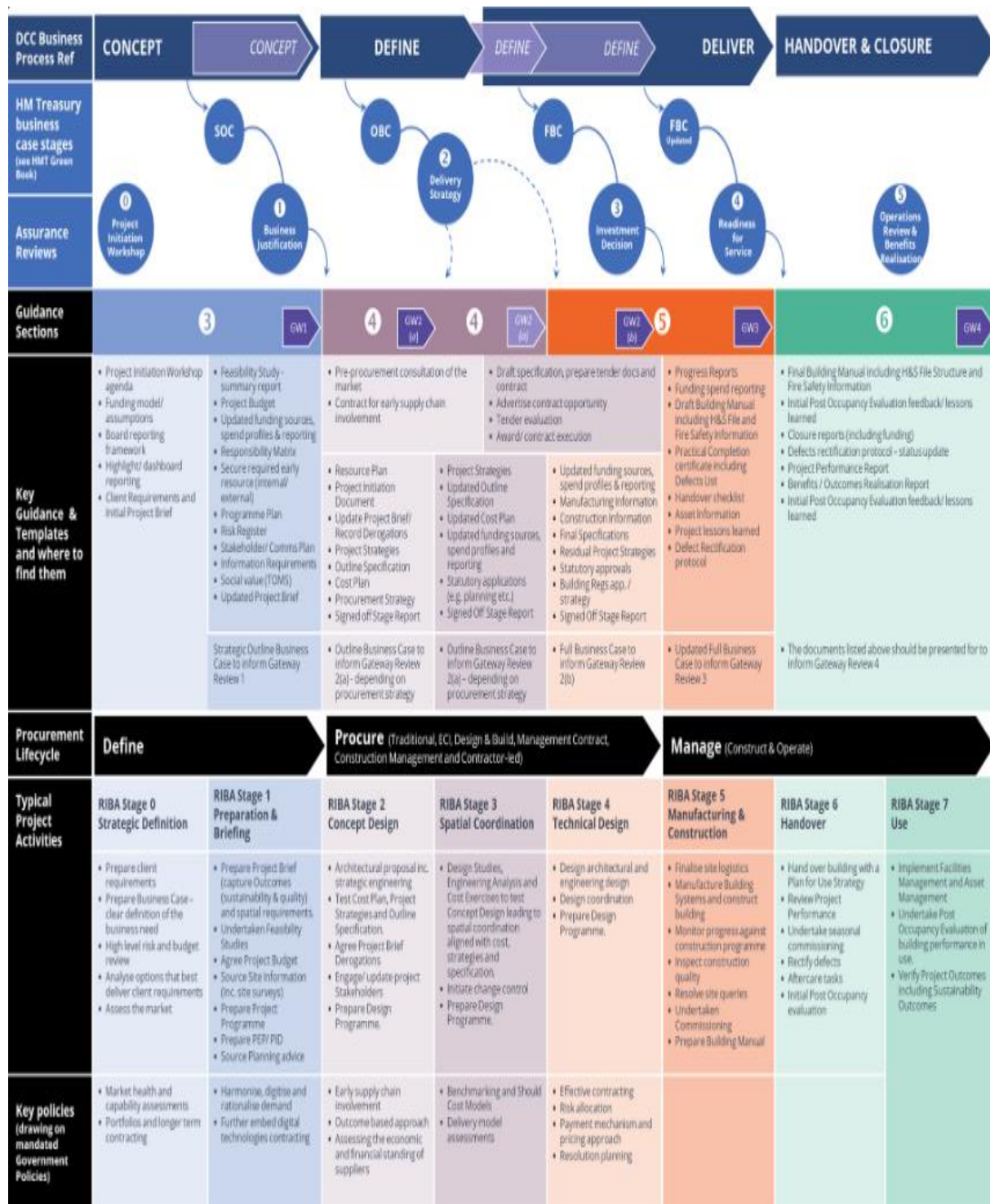
Risk

None.

Procurement

None

Appendix 2 Business Process Diagram



Appendix 3 - Presentation

See separate attachment.