

Major and Strategic Projects, including Capital Projects

Project Specification

Background

Major programmes of investment and transformation can be high profile, complicated, fast-paced and undertaken in an environment with some degree of uncertainty.

For publicly funded bodies, stakeholders including tax payers are increasingly focussed on the extent to which major and strategic projects, including capital projects, demonstrate:

- transparency and clear accountability, including proactive public communication
- sound financial and other resource management
- robust project management to deliver progress against milestones; and
- clear delivery of expected objectives and benefits.

Jersey's Public Finances (Jersey) Law 2019 defines a major project as:

- a major capital project (defined as a project which results in the creation of an asset which will be held on the States of Jersey's balance sheet) the duration of which, from start to finish, is planned to be of more than one year with a total estimated cost of more than £5 million; or
- a project that has been designated as a major project in an approved Government Plan.

The proposed total cost of for a major project must be approved as part of the Government Plan process. Annual cash allocations to reflect the agreed spending profile for the major project then need to be agreed as part of the relevant Government Plan.

A strategic project is defined by the Jersey Public Finances Law 2019 as a project which satisfies two or more of the following criteria:

- is of significant strategic value, in that it will deliver transformative outcomes for, or mitigate significant risks to the States of Jersey and/or the Island's economy or community
- has a total estimated cost of more than £2 million
- is highly complex to deliver due to operational, technical, stakeholder or other delivery complexities
- carries risks of a community or corporate risk level (as defined by Enterprise Risk Management).

In 2022, the Government spent nearly £100 million on capital and major projects as summarised in Exhibit One.

Exhibit One: 2022 Expenditure on Capital and Major Projects

	£000
Integrated Technology Solution	17,091
Our Hospital	12,092
Sewerage Treatment Works	17,567
Infrastructure	12,017
Other projects	37,929
Project expenditure	96,696
Capital expenditure from trading funds:	
Car Parking	846
Fleet Management	2,150
Total funded from trading funds	2,996
Overall Total	99,692

Source: States of Jersey Annual Report and Accounts 2022

The Government Plan 2023 to 2026 includes investment of almost £400 million in capital and major projects, excluding investment in new healthcare facilities, as set out in Exhibit Two.

Exhibit Two: Capital and Major Project Investment Government Plan 2023 to 2026

	2023 £000	2024 £000	2025 £000	2026 £000	Total £000
Feasibility	1,830	500	500	500	3,330
Estates	52,001	44,215	33,304	27,998	157,518
Infrastructure	29,631	20,183	18,468	17,850	86,132
Information Technology	35,888	9,925	2,970	1,505	50,288
Replacement Assets and Minor Capital	12,065	9,830	13,136	10,200	45,231
Community Fund	670	1,670	1,670	1,670	5,680
Central Risk and Inflation Funding Reserve	8,100	2,000	2,000	2,000	14,100
Project expenditure	140,185	88,323	72,048	61,723	362,279
Funded from trading funds:					
Vehicle and Plant Replacement	2,000	2,700	2,700	2,700	10,100
Car Park Enhancement and Refurbishment	60	795	500	500	1,855
Total funded from trading funds	2,060	3,495	3,200	3,200	11,955
Funded from social security funds:					
Benefits and Payments (Transform)	12,500	8,250	-	-	20,750
Total funded from social security funds	12,500	8,250	-	-	20,750
Overall Total	154,745	100,068	75,248	64,923	394,984

Source: Government Plan 2023 to 2026

The Functions of the Comptroller and Auditor General (C&AG)

Article 11 of the Comptroller and Auditor General (Jersey) Law 2014 requires the C&AG to:

- provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Public Finances Law
- consider and report to the States on:
 - the effectiveness of internal controls of the States, States funded bodies and Funds
 - the economy, efficiency and effectiveness in the way the States, States funded bodies and Funds use their resources; and
 - the general corporate governance arrangements of the States, States funded bodies and Funds; and
- make recommendations to bring about improvement where improvement is needed.

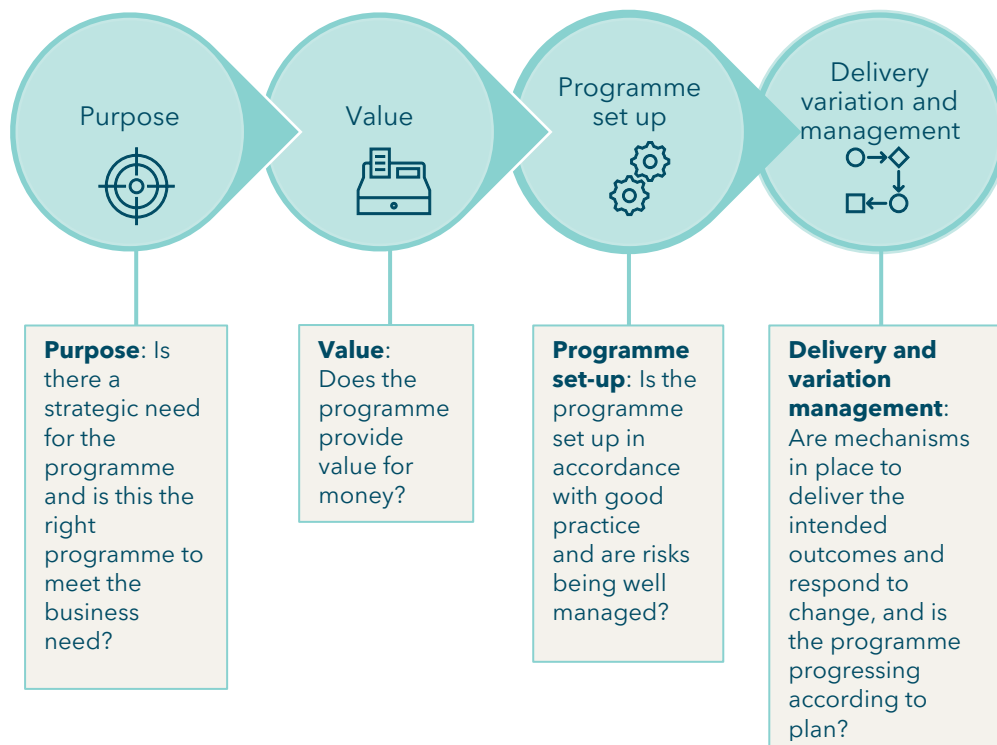
Objectives of this review

I have undertaken and am planning a number of reviews that relate to major and strategic projects, including capital projects. These include the following reviews:

- *Integrated Technology Solution - Follow Up* (April 2023)
- *Learning from Previous Hospital Projects: A Follow Up Review* (May 2023)
- *Strategic Property Management* (planned for 2023).

This review will consider the overall arrangements for managing major and strategic projects as a portfolio. It will then consider in more detail a sample of specific projects not covered by my other reviews. I will consider a sample of completed and ongoing projects against the Good Practice Framework developed by the UK National Audit Office, as summarised in Exhibit Three.

Exhibit Three: Framework to review programmes



Source: National Audit Office: Framework to review programmes Update April 2021

For the sample of projects selected for review, I will consider the following aspects:

- Purpose:
 - Is it clear what objective the project is intended to achieve?
 - Have the right people bought into the project, such as users, suppliers, those who have to implement it?
- Value:
 - Do the procurement method and implementation option chosen meet the project's objective and provide long-term value?
 - Does the business case demonstrate value for money over the lifetime of the project?
 - Are cost and duration estimates appropriate to the stage of development of the project, with risks and uncertainties appropriately reflected?

- Does the project have a plan to deliver benefits and is this being implemented?
- Set up:
 - Are there structures (internal and external) that provide strong and effective oversight, challenge and direction in accordance with the requirements of the Public Finances Manual?
 - Does the project have the right culture and leadership with the necessary authority and influence?
 - Does the Government have the resources (staffing, capability, equipment, and so on) required to support the programme?
 - Are scope and business requirements realistic, understood, clearly articulated and capable of being put into practice?
 - Are key risks identified, understood and addressed?
- Delivery and Variation Management:
 - Are there appropriate incentives for all parties to deliver (contractual, performance management, or other)?
 - Is there an effective mechanism to control project variations?
 - Is the project sufficiently flexible to deal with external changes in the operating context?
 - Is progress being measured and assessed effectively?
 - Are contracts being managed effectively?
 - Is the project learning from experience of previous relevant projects?
 - Is transition to business as usual when the project is completed being planned for effectively?

Scope

Under the requirements of the Public Finances Manual, every Major and Strategic Project is subject to an internal audit during the life of the project and other projects may be assessed as required. My review will consider any relevant work undertaken by the Government of Jersey Internal Audit function and will not duplicate it.

My review will consider overall arrangements for the programme of major and strategic projects, including capital projects. This will include assessment of the relative roles between client departments and supplier/contractor departments to ensure clarity in these roles. It will also include assessment of how the Government considers and monitors the deliverability of the overall programme.

My review will also consider a sample of projects in more detail. The sample of projects to be reviewed will include:

- New Government Headquarters
- Sewage Treatment Works
- Fire and Ambulance Headquarters; and
- Clinique Pinel.

For the sample of projects selected my review will include consideration of how the projects have adopted the Corporate Portfolio Management Office (CPMO) Frameworks for Major, Strategic and Other Projects.

Later in 2023 I am planning a separate review of Strategic Property Management. That review will include consideration of how Government assesses need and prioritises capital investment in major property projects.

The objectives and/or scope of the review may be amended in the course of the review in the light of emerging findings or other matters arising.

Approach

The review will commence with an initial documentation request. The findings of the document review will be followed up by interviews with key officers and potentially with other stakeholders.

The review will commence in May 2023.

The detailed work will be undertaken by an affiliate engaged by the C&AG.



JERSEY AUDIT OFFICE

LYNN PAMMENT
Comptroller and Auditor General

Jersey Audit Office, de Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT
T: +44 1534 716800 E: enquiries@jerseyauditoffice.je W: www.jerseyauditoffice.je