



Capital Projects Risk Assessment- Executive Summary City of Guelph



March 3rd, 2015

Scope, objectives, and approach

Scope:

- Deloitte was engaged to perform an objective and initial assessment of the City of Guelph's approach to managing project risk. The purpose of the assessment was to identify risk areas within the current approach, highlighting key gaps and provide recommendations.
- It is understood that this assessment supports the City of Guelph's commitment to address issues identified during the construction of the new City Hall and subsequent dispute with Urbacon.

Objectives:

- Understanding project portfolio and the current project management and governance practices;
- Assessing current project risk management practices; and
- Assessing the appropriateness, to the extent possible, of project risk management and governance tools and templates for the size and scale of the project portfolio including those performed under multiple partner models.

Approach:

- Deloitte conducted interviews with 15 project personnel and stakeholders at the departmental and corporate levels, and reviewed available project documentation to understand the size, scale and risk profile of the projects within the project portfolio, to conduct an initial assessment of current project management policies, procedures, processes and controls utilized by the City of Guelph.
- Deloitte utilized a Capital Projects risk framework which included the following focus areas:



Health & Safety



Project Governance & Accountability



Communications & Reporting



Risk & Issue Management



Resource Management



Scope and Change Management



Scheduling Management



Cost Management



Quality Assurance/ Quality Control



Procurement, Contracts & Claims Management



Systems & Document Management

Capital Projects portfolio

- The first step in the risk assessment was to understand the current and future project portfolio. Through discussions with management, and a review of budget information it was determined that:
 - The City of Guelph’s project portfolio comprises over 270 projects that are categorized as operational, departmental and corporate projects.
 - Over the next 10 years, the City of Guelph is planning to deliver these projects at a cost in excess of \$650,000,000.
 - The project portfolio has grown to a level where it is appropriate to revise the method of categorization and align appropriate project and risk management procedures and practices.
- Through analysis of the projected 10-year project portfolio, three distinct tiers of projects were identified. These tiers are described by the criteria contained in the following chart:

Tier 1	Tier 2	Tier 3
<ul style="list-style-type: none"> ▪ Includes large capital projects with budgets often exceeding \$10,000,000 which are driven by the long-term Master Plan. ▪ Projects are high risk and complex and could have a significant impact on the continuity of operations. ▪ Involve multiple stakeholder groups ▪ Have significant reputational considerations. 	<ul style="list-style-type: none"> ▪ Includes medium-sized capital projects with budgets between \$1,000,000 and \$10,000,000 which are typically driven by the long-term Master Plan. ▪ Tier 2 projects are typically departmental and involve a medium level of risk and complexity. ▪ Generally led by an internal Project Manager 	<ul style="list-style-type: none"> ▪ Includes smaller capital projects with budgets less than \$1,000,000. ▪ Tier 3 projects are normally related to operations and maintenance activities. ▪ Projects are executed by Departments using internal PM’s and are usually short-term, routine and have a low risk and complexity profile.

Key observations and recommendations

During this engagement, there were several recurring observations with respect to the overall project management and governance environment at the City of Guelph:



There are very few project management and governance processes and procedures in place.



While some of the tools and practices presented could form a solid basis for project management standardization, these are overshadowed by a weak procedural framework and undocumented processes and practices.



Leadership and project delivery personnel would benefit from a strengthened focus on project management standards and principles.



Many participants demonstrated a willingness to improve and share leading practices with their colleagues. Overall, the City of Guelph displays an appreciation for the importance of strengthening the Capital Project governance environment.

Of the 18 recommendations outlined in the report, the following should be addressed in the near term as they address risks that could impair the City of Guelph's ability to effectively deliver its project portfolio:



Develop and implement a Capital Projects portfolio management framework that identifies projects as Tier 1, 2 or 3 based on their risk and complexity profile, sponsor group or individual, delivery method, impact on the continuity of operations and reputational importance.



Establish a Project Management Office that will specify standards, guidelines and principles for the delivery of Capital Projects, along with implementing governance and decision support requirements for each category of project Tier at each stage of the project lifecycle.



Develop and implement a formal risk management approach that is scalable to project Tier and aligned with a key milestone/multiple decision point framework (known as stage-gates), business case requirements and the corporate enterprise risk management program.

Deloitte.