

**REPORT ON CAPITAL PROGRAMME BOARD**

*To:* **General Purposes Committee**

*Meeting Date:* **13th June 2017**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **Not applicable**      *Key decision:* **No**

*Purpose:* **This report provides the Committee with an update on the effectiveness of the Capital Programme Board and its work to date.**

*Recommendation:* **It is requested that the Committee note the progress of the Capital Programme Board to date.**

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|--------------------------------|------------------------------------|
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## **1.0 BACKGROUND**

- 1.1 Capital Programme Board was set up in November 2015 at the request of the Leader of the Council and Strategic Management Team (SMT) to bring more governance to the Council's capital programme. Delivery of the capital programme had previously been around 80% per annum but had dropped to only 60%.

| <b>Year</b> | <b>Revised Capital Budget (£m)</b> | <b>Underspend (£m)</b> | <b>% Underspend</b> |
|-------------|------------------------------------|------------------------|---------------------|
| 2015/16     | 209.5                              | -62.2                  | 29.7%               |
| 2014/15     | 197.4                              | -80.8                  | 40.9%               |
| 2013/14     | 168.2                              | -62.1                  | 36.9%               |
| 2012/13     | 184.2                              | -35.1                  | 19.1%               |

- 1.2 The purpose of Capital Programme Board is to scrutinise development and delivery of the Council's Capital Programme, with a view to ensuring the following outcomes are delivered:

- Improved estimates for cost and time of capital projects;
- Improved project and programme management and governance;
- Improved post project evaluation; and
- Improved prioritisation process across the programme as a whole.

## **2.0 REMIT**

- 2.1 All capital projects are within the remit of Capital Programme Board, but the Board focuses on projects with a capital value of over £1m or those that are of strategic importance to the Council.

- 2.2 The duties of the Capital Programme Board are as follows:

- Provide strategic scrutiny of infrastructure projects at an early stage of development;
- Use robust management information to review the governance and delivery of the infrastructure investment programme;
- Provide advice to Members/SMT about capital investment priorities across the whole capital programme in order to inform decision-making, taking into account that services undertake their own system of prioritisation.
- Review governance and decision-making structures for capital projects to ensure these are fit for purpose;
- Review projected future costs of capital investment;
- Carry out post-project reviews;
- Review and challenge in-year slippage; and
- Review and challenge carry-forwards and any necessary rephasing at the start of the year.

### 3.0 PROGRESS/ CHANGES TO DATE

- 3.1 Capital Programme Board has met monthly since its inception. It has become part of the governance structure for the capital programme (see **Appendix A**), with high level business cases now being produced for all capital schemes, which must be approved by the Board before approval is sought from Service Committees. Each month Capital Programme Board considers the capital section of the Integrated Resources & Performance Report and thus has oversight of any major changes in the forecast cost of schemes. Other developments the Board has overseen include:

#### 3.2 Register of Project Sponsors and Project Managers

Prior to the introduction of Capital Programme Board there was no central register of project sponsors and project managers. The Board has worked with services to compile a list of the people responsible for a project's oversight and delivery for all schemes in the 2016/17 Business Plan. For the 2017/18 Business Plan this information has been gathered from the business cases for schemes and once the new ERP system (Agresso) is adopted, this information will be held in the system.

#### 3.3 Capital Roll-forwards

The Board oversaw the process for rolling forward funding that was unspent in 2015/16 due to slippage on schemes into 2016/17. This was a more thorough process than in previous years with a more detailed break-down and a higher level of scrutiny; previously Corporate Finance oversaw the process for rolling forward funding and re-phasing schemes. The new detailed process encouraged Economy, Transport and Environment (ETE) to revisit its 2016/17 capital programme in more depth post-Business Planning and re-phase a lot of its schemes, which it had not done in previous years, thus increasing the likelihood of delivering the revised capital programme.

#### 3.4 Capital Programme Variations Budgets

In response to the observation that slippage on schemes always occurs towards the end of the year but was not forecast throughout the year, Capital Programme Board introduced capital programme variations budgets to make an allowance for slippage in each service, before it was known where this would occur. Thus slippage on the capital programme has been forecast from the beginning of the year and as individual schemes report underspends, these start to utilise the allowance for slippage. This enables better planning for treasury management and a more accurate forecast for debt charges from the beginning of the year.

At the end of 2016/17 the eventual position of the capital programme was - £5.3m (-3.4%) underspend, which shows that the capital programme variations budgets, which were based on the average slippage over the past three years, were reasonably accurate in predicting slippage across the programme. This process of budgeting for capital slippage from the start of

the year has been carried over to the 2017/18 Business Plan and the budgets will be revised based on the new information available for 2016/17 slippage.

This major change in capital programme budgeting has meant the Council had a far lower underspend on the capital programme in 2016/17 than it has seen in recent years. Given the budget for the capital programme informs the revenue budget for financing debt charges, a more accurate capital budget leads to a more accurate debt charges budget, leaving more revenue available for the delivery of services. Including a capital programme variations budget of -£25m in 2016/17 reduced the debt charges revenue budget by around £2m, leading to a corresponding reduction in the savings requirement.

### **3.5 Post-Implementation Reviews**

From the end of 2016/17 Capital Programme Board will receive a summary of the final financial position of every scheme that has been completed in the previous quarter and all schemes with a budget of over £1m will have a full post-implementation review completed, to be considered by Capital Programme Board. The reviews will ask project managers to demonstrate how the scheme has met the original objectives set out in the Business Case and will ask them to identify anything that has been learnt and can be taken forward to other schemes.

### **3.6 Financial Regulations**

The Board has reviewed the Council's financial regulations in relation to capital schemes and updates will be proposed to Members in line with its recommendations. An internal Capital Guidance document has also been produced.

## **4.0 ONGOING WORK**

### **4.1 Capital Business Case Template**

A new business case template for capital schemes is being developed for the 2017/18 Business Planning process. This will require a more detailed business case to be presented to Capital Programme Board, and then Service Committees, for each new scheme in the capital programme. Among other developments the new template requires project managers to explain the objectives of the scheme and how these will meet the Council's strategic priorities in more depth, as well as identifying the key milestones of a project. This will enable the Board to monitor the progress of schemes better throughout their duration and coincides with the work on post-implementation reviews, as these reviews look at whether the objectives set out in the original business case have been met.

#### 4.2 Presentation of Capital Budgets in the Business Plan

At the request of Group Leaders Capital Programme Board is considering whether it is possible and indeed desirable to present the budgets for schemes that have not yet been let to contractors in a different way. Included in this work is consideration of how capital contingency budgets are presented and monitored.

### 5.0 **OTHER IMPROVEMENTS**

- 5.1 The creation of Capital Programme Board means that there is now a dedicated forum for discussing Internal Audit reports in respect of capital issues, such as the Ely Archives report. Given the Board has the authority to implement the changes needed across the whole capital programme, this makes a coordinated response to audit actions far easier than it has been previously.
- 5.2 Capital Programme Board also facilitates communication between services on their capital programmes, which encourages collaboration in a standardised approach to managing the capital programme.
- 5.3 As Capital Programme Board meets monthly the Council is able to move towards a year-round process of planning capital schemes, allowing for better planning of a multi-year capital programme and year-round development of capital schemes with proper challenge before schemes are taken to Service Committees.

### 6.0 **ALIGNMENT WITH CORPORATE PRIORITIES**

#### 6.1 **Developing the local economy for the benefit of all**

There are no significant implications for this priority.

#### 6.2 **Helping people live healthy and independent lives**

There are no significant implications for this priority.

#### 6.3 **Supporting and protecting vulnerable people**

There are no significant implications for this priority.

### 7.0 **SIGNIFICANT IMPLICATIONS**

#### 7.1 **Resource Implications**

This report provides the latest resources and performance information for the Council and so has a direct impact.

## **7.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

There are no significant implications within this category.

## **7.3 Statutory, Legal and Risk Implications**

There are no significant implications within this category.

## **7.4 Equality and Diversity Implications**

There are no significant implications within this category.

## **7.5 Engagement and Communications Implications**

No public engagement or consultation is required for the purpose of this report.

## **7.6 Localism and Local Member Involvement**

There are no significant implications within this category.

## **7.7 Public Health Implications**

There are no significant implications within this category.

| <b>Implications</b>  | <b>Officer Clearance</b>                          |
|--|---|
|  |   |
| <b>Have the resource implications been cleared by Finance?</b>   | Yes<br>Name of Financial Officer:<br>Chris Malyon |
|  |   |
| <b>Have the procurement/contractual/Council Contract Procedure Rules implications been cleared by Finance?</b> | No<br>Name of Officer: Not applicable             |
|  |   |
| <b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>                      | No<br>Name of Officer: Not applicable             |
|  |   |
| <b>Have the equality and diversity implications been cleared by your Service Contact?</b>                      | No<br>Name of Officer: Not applicable             |
|  |   |
| <b>Have any engagement and communication implications been cleared by Communications?</b>                      | No<br>Name of Officer: Not applicable             |
|  |   |

|  |                                       |
|--|---------------------------------------|
| <b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b> | No<br>Name of Officer: Not applicable |
| <b>Have any Public Health implications been cleared by Public Health</b>                           | No<br>Name of Officer: Not applicable |

| <b>Source Documents</b>  | <b>Location</b>   |
|--|---|
| Capital Programme Board Terms of Reference<br>Capital Programme Board Agenda and Minutes | 1 <sup>st</sup> Floor, Octagon,<br>Shire Hall,<br>Cambridge |

# CCC Capital governance

