

Report of The Head of Finance

Capital Review Progress update

1 Purpose of report

This report sets out an updated position on the progress of the Capital Programme review request by this committee. It also outlines some further actions that are needed to complete the full review over the coming months.

2 Executive summary

The Resources Committee asked for a review of the capital programme to be undertaken to ensure that the resources allocated to the schemes in the programme reflected priorities of members and to ensure that resources were appropriately allocated.

An initial review has taken place and a project plan has been drawn up for the full review of both the current programme of agreed schemes and the governance arrangements for the approval of future schemes..

3 Appendices

None

4 Proposed action: The committee is invited to RESOLVE to :

4.1 NOTE the progress to date on the review and the key tasks to be undertaken as part of the full review process

4.2 AGREE to the inclusion in the approved capital programme of new schemes proposed in section 8

4.3 AGREE to the changes to the currently approved capital programme as outlined in section 9

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5 Background

5.1 The Resources Committee regularly receives monitoring reports on the capital programme and each year a full report on the new programme to be recommended to council.

5.2 It has been noted that the progress of some capital schemes has not been as originally expected and that at each year end a proportion of the schemes “slip”

into the following year. This is indeed the case again for 2013-14, as shown in the out turn report earlier on the agenda.

- 5.3 Members of the resources committee acknowledged that improvements in the monitoring process had been made, however, they felt a full scale review of the current capital programme and governance arrangements would be beneficial. This report is an update on the work to date on that review and also the further actions proposed to complete the review.

6 Review of current programme

- 6.1 The Head of Finance has been working with the Principal Accountancy Manager and the Service Accountant for Capital to analyse the current capital programme and to plan the key steps in the review. The capital outturn position for 2013-14 was a key first step and the position is shown on a report contained elsewhere on this agenda. This report again shows that approximately 25% of the programme has been delivered as expected and the remaining balance has been reprofiled to be spent in future years. This now shows the expected capital spending in 2014-15 to be in excess of £10m. This is clearly not achievable on past experience and with the current levels of capacity to deliver schemes.
- 6.2 The programme monitoring now includes a delivery risk “RAG” analysis and those that are shown as red were initially reviewed. Colleagues managing capital projects attended a review meeting with all Heads of Service to discuss their capital schemes and the expected delivery timescale. It was clear from this exercise that not all schemes required the level of resource allocated to them which meant that some resources could be released so that some of the schemes that were approved but on the “awaiting available resources” list could now be started.
- 6.3 It was also apparent that some of the major schemes in the programme were not actively being progressed or had been further delayed. Whilst the schemes may still be needed in the future, key decisions relating to the schemes still needed to be made. Keeping these schemes in the approved programme and just rolling them forwards each year is one of the key contributors to the high percentage of schemes not delivered as planned. The main two schemes this relates to are the multi storey car park and the Glamis Hall, with a combined total of approx. £2.5m. It is recognised that there may be a need in the future to spend the resources allocated to these schemes, especially the car park, as the liability to maintain them remains with the council. The short term repair works to both structures are an on-going pressure to the revenue budget. However, the resources allocated to the schemes could be used to start other capital schemes that may help alleviate the pressures on the revenue budget. It is therefore proposed to move both of the schemes in to the “awaiting available resources” list and to move the schemes at the top of this list into the approved programme. Should there be an urgent need to fund either of these schemes before any future funding becomes available a temporary draw on the capital reserves can be made, on the proviso that it be replenished when funding does become available. This should mitigate any risk, whilst allowing more schemes to progress.

7 Taking the review forwards

- 7.1 To take the review to the next stage the Chief Executive and Heads of Service met with the Leader and Deputy Leaders of the Council and Opposition to discuss a proposed methodology for the review.
- 7.2 On her initial analysis of the current process the Head of Finance felt that the current scoring mechanism did not really reflect the key priorities and desired outcomes of member decisions. It was also apparent that although a capital strategy exists it does not set out the key outcomes that the capital programme should strive to deliver and it was difficult to see in its current format exactly what was being achieved.
- 7.3 The Head of Finance proposed that the key outcomes for capital expenditure should be agreed and the schemes should be grouped in themes to create a better representation of the key strands of the total programme. This would also help to strengthen the control and direction of capital decisions and management as well as helping to improve the capital strategy for the future. The Head of Finance also presented proposals about the decision process and where key stakeholders could be involved prior to the schemes being put to the committee for approval. These two main areas of review will form the basis of the revised process for capital governance and monitoring going forwards.
- 7.4 The next step is to discuss these elements with members and then make formal recommendations at a committee meeting later in this year. An informal meeting of members will be arranged, similar to those held as part of the constitution review process, so that member's views can be considered in the development of any new process. This meeting will need to take place in the summer months to allow the new process to be agreed and embedded in good time for the production of the 2015-16 capital programme.

8 New capital projects to be agreed

- 8.1 As part of the review process with capital project managers the Heads of service also considered new capital project bids.
- 8.2 Three new bids were put forwards as part of this process; A new waste transfer station to be built at Trafalgar House, supplementary funding of the Olympic Way car park scheme to support the s106 funding available and an urgent upgrade to the financial system. All schemes were scored in line with the current policy and as such were scored sufficiently high to be placed on the awaiting funding list.
- 8.3 However, if members agree to the proposals in this report, these schemes can be immediately funded and moved into the approved and funded programme of schemes.
- 8.4 Members are asked to agree for their inclusion in the approved capital programme, as set out in 4.2. Details of the projects are shown below:

- *Waste Transfer Station*

During the procurement of a new dry recycling contract it became apparent that there was a local need for a facility that could accept and store the recycling materials. The option to develop a waste transfer station at Trafalgar House was investigated and the research showed that by providing this facility ourselves we could save at least £70,000 on the new contract costs. This is a significant saving for the borough and the site could also be offered to other local authorities and recycling contractors to improve revenue incomes further. There will be revenue costs of operating the site but these have been included in the appraisal. This is an invest to save scheme that should pay back within the first year of the contract. Norse will deliver the capital scheme for the Borough and operate the site as part of their recycling work.

The Capital Cost of the scheme is £50,000

- *Agresso Upgrade*

Agresso have stopped fixing any issues with the current version of software BCW are operating and will be de-supporting it all together in the next 18 months. In addition the current version of Agresso that we are using is not fully compatible with Windows 7 and Office 2010 that the council has recently upgraded to.

KBC are implementing the upgrade. If BCW do not upgrade at the same time then we will not have a fit for purpose finance & procurement system and may be unable to procure goods & services, pay suppliers, invoice customers, manage it's budget and the statutory requirement of producing a statement of accounts. The Head of Finance as S151 officer needs an adequate finance system to undertake her statutory duties.

The cost to BCW of the upgrade is £30,000

- *Olympic way Shops supplementary funding*

A scheme primarily funded by S106 as detailed elsewhere on the agenda to resurface the Olympic Way Shops car park and surrounding footpaths has been submitted. The S106 monies will cover most of the costs. However, as the borough has an obligation to maintain the surface the shortfall for completion of the project is to be found from capital funding.

The cost of this will be £2185

9 Moving schemes out of the awaiting funding list

9.1 If the actions as set out in section 4 are agreed by members capital resources will be available to now fund all of the schemes agreed and they will be included as part of the approved and funded programme.

9.2 The MSCP, Glamis Hall and those schemes not starting until later years will remain in the awaiting funding list and will be reviewed as necessary as part of the capital governance process.

10 Legal powers

Local Government Act 2003
Local Government Finance Act .

11 Financial and value for money implications

Capital resources and the level of funding are dealt with via the capital strategy and governance arrangements currently in place. This report does not directly impact on those levels or arrangements.

12 Risk analysis

Nature of risk	Consequences if realised	Likelihood of occurrence	Control measures
Capital resources are not prioritised to the correct schemes	Capital priorities would not be met	low	Capital strategy and governance arrangements

13 Implications for resources

None

14 Implications for stronger and safer communities

None

15 Implications for equalities

None.

16 Author and contact officer

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17 Consultees

SMT

18 Background papers

Previous committee reports on Capital.

