

REPORT FOR: **CABINET**

Date of Meeting:	23 April 2015
Subject:	Response to Scrutiny Challenge panel report ‘Capital Expenditure’
Key Decision:	No
Responsible Officer:	Simon George, Director of Finance and Assurance
Portfolio Holder:	Councillor Sachin Shah, Portfolio Holder for Finance and Major Contracts
Exempt:	No
Decision subject to Call-in:	No, as the recommendation is for noting only
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report sets provides members with officer feedback in response to the Scrutiny Challenge panel report ‘Capital Expenditure’

Recommendations:

Cabinet is requested to note the response to recommendations of the Scrutiny Challenge Panel.

Section 2 – Report

Background

The “Capital Expenditure” Challenge Panel, met on the 21st January 2015. The panel, in its recommendations, identified “measures to improve the financial management, project management and governance of the capital programme.”

Response to Scrutiny Panel’s Report

Summary of Recommendations

1.0 To establish an overarching Corporate Board with responsibility for monitoring all individual projects across the Council in order to give a better overview of the capital programme and to ensure that the project management system is applied across all schemes and departments.

Response

Partially agreed. Corporate Board already review capital expenditure via the monthly Finance Monitor document. This document is the aggregation of directorate capital review discussions.

2. To develop the role of the capital forum into a senior officers’ forum where its existing role is maintained but extended to take on capital monitoring/programme management. Each directorate will send a senior representative who presents a directorate report based on the RAG system.

Response

Agreed. Capital forum will monitor the progress of capital programme expenditure. Representatives from all directorates and the Project Management Office will continue attend.

3 That the VERTO system be reviewed in terms of its staff training processes, to establish its purposefulness and to maximise its effectiveness .

Response

Agreed A review of how Verto is used in the capital management process has recently been undertaken and the resultant changes have been incorporated into a training programme that is due to be delivered from April.

4. **To change the Council's constitution so that elected members are part of the decision making process to vary the capital programme.**

Response

Not agreed. This is already the case. All significant additions and variations to the programmes need member approval.

- 5 **That the Director of Finance & Assurance and the Head of Internal Audit, explore whether the centralised scanning of invoices has a deleterious impact on project timetables and contractor payments and to assess the risk of fraud.**

Response

Agreed. A review will take place.

- 6 **That all projects be realistically scoped and planned before being put into the capital programme.**

Response

Agreed This would always be the aspiration.

- 7 **That the Capital Forum has the power to vire money from under spending projects/budgets to other projects to ensure that slippage is minimised.**

Response

Not agreed. This would remove responsibility from democratically elected councillors.

8. **That all budgeted allocations should be split in monthly budgets and monitored monthly to ascertain underspend/overspend.**

Response

Agreed. This would be good practice and officers will work towards this.

9. **That slippage/underspend should be monitored in terms of efficiency saving and other underspend.**

Response

It would be possible to classify all capital spend as either generating an efficiency saving or not. Therefore it would be possible to classify any underspend accordingly.

The vast majority of the Council's capital programme does not pertain to efficiency savings but to Statutory service delivery - For example the Schools expansion programme. Slippage and underspend is identified separately in monitoring reports. A reason for the underspend/slippage is already given.

10. **That all members should have monthly updates on the capital programme within their wards with a RAG report explaining what action is to be taken to resolve the Red/Amber projects. The Finance Portfolio Holder should see the minutes of the Capital Forum and he/she should advise Portfolio Holders of underperformance on capital projects.**

Response

Partially accepted The finance systems do not hold data in this way. This would require additional reporting requirement which would require more resources. Ward based reporting might be something for project managers to consider where appropriate The Finance Portfolio holder receiving the minutes of the Capital Forum is a very sensible idea.

11. **That the Capital Programme/Budget agreed in the February of each financial year should be over-programmed by a factor of 25%. This will enable slippage to be moved to different projects in-year without reference back to Full Council. The decision to vire should be either a Cabinet or Portfolio Holder decision depending on the urgency.**

Response

Not agreed. In this scenario members would not know what capital schemes they are actually approving at Full Council and as such may not be legal.

12. **That once slippage/under-spending is reduced to levels below 15% then the over-programming is reduced to 10%.**

Response

As per 11

13. **To ensure that a summary of the Lessons Learned Log be distributed periodically to all project managers. This should include problems and solutions and good practices and success that could be applied to future works.**

Response

Agreed. This would be a sensible idea, there is functionality within Verto that can facilitate this.

14. **To appoint a nominated officer to ensure that there is adequate resident engagement in the capital programme process.**

Response

Agreed. The capital programme could feature more strongly in the existing resident engagement around the budget. It is worth noting that the schools expansion Programme engaged dedicated resource to help them with Comms and engagement throughout 2014.

- 15.. **To produce more stringent corporate documentation requiring officers to provide detailed information on reasons for project slippage.**

Response

Agreed. Additional guidance can be produced.

16. **That the capital programme, while based on the financial year should be structured around when the project is best suited to start.**

Response

Agreed. Greater work will be done to ensure that the capital programmes are appropriately phased

- 17.. **To ensure that contracts are negotiated and signed before the commencement of any works.**

Response

Agreed. This is in line with the existing Contract Procedure Rule, breaches of which are monitored at the Strategic Procurement Board.

LEGAL IMPLICATIONS

2.0 The Council's Capital budget is approved by Full Council every year at Council Tax setting Council.

FINANCIAL IMPLICATIONS

3.0 Financial Implications are integral to this report. A number of the recommendations would require additional investment to deliver.

PERFORMANCE IMPLICATIONS

4.0 None

EQUALITIES IMPLICATIONS / PUBLIC SECTOR EQUALITY DUTY

5.0 Detailed EQIAs are completed as part of the capital budget setting process. The outcome of the changes proposed by scrutiny will be subject to this rigour.

RISK MANAGEMENT IMPLICATIONS

6.0 As part of the budget process (Including Capital budgeting) the detailed budget risk register is been reviewed and updated. This helps to test the robustness of the budget and support the reserves policy.

COUNCIL PRIORITIES

7.0

The annual budget setting process (Including capital budgeting) supports delivery of the Council's vision, the administrations priorities and is consistent with the Corporate Plan. Delivery of the Capital programme is integral to the delivery of Council Priorities.

Section 3 - Statutory Officer Clearance

Name: Simon George	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 10 April 2015		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 10 April 2015		

Ward Councillors notified:	NO
EqIA carried out:	No <i>[Any actual decisions that flow through as a result of processes will be taken to Cabinet/Council and be subject to EqIA at that point]</i>

Section 4 - Contact Details and Background Papers

Contact: Simon George, Director of Finance and Assurance

Background papers: Scrutiny Report

<http://modern.gov:8080/documents/s127682/Ref%20from%20OS%20Cttee%20-%20Capital%20Challenge%20Panel.pdf>

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

*[Call-in does not apply, as the
recommendation is for noting only]*