



BATH & NORTH EAST SOMERSET

CAPITAL REVIEW – PART 2

A Framework for Capital Investment Planning and Management

July 2006

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1. INTRODUCTION AND BACKGROUND

1.1. In November 2005 the Executive initiated a review of the Capital Programme in the light of the financial position facing the Council in 2006-07 and the medium term.

1.2. The key objectives of the review are:

- To reduce the pressure of the capital programme on the revenue budget.
- To further improve the Council's performance on monitoring and management of slippage within the capital programme.
- To put in measures to improve the management and development of the capital programme.

1.3. The Terms of Reference of the review are:

- To review total scheme costs, at a minimum identifying the risks associated with the estimates and any potential for variances as projects progress.
- To review the phasing of expenditure to reduce slippage and to plan the phasing of borrowing.
- To review the phasing of income other than borrowing.
- To develop options and recommendations for an accelerated capital receipts strategy to reduce the impact of the current level of planned unsupported borrowing on the revenue budget and to provide cash cover for all or part of the contingency.

- To review the affordability of the programme and consider reductions and the re-phasing of programme if necessary.
- To consider new scheme proposals in the light of the issues identified in this report.

1.4. Part 1 of the Review was reported to the Council Executive and full Council in February 2006 as part of the Corporate Plan, Service Planning and Budget process.

1.5. As a result of Part 1 of the Review the Council has:

- Addressed its high reliance on borrowing, in particular unsupported borrowing and responded to the falling level of right to buy housing sales.
- Reduced unsupported borrowing over 4 years (2005/06 to 2008/09) by £35m from £65m to £30m.
- Planned for an increased level of capital receipts (sales of land and property) and approved an exceptional capital receipt (the latter being achieved in March 2006).
- Reduced £11m of projects and programmes in the existing capital programme (some projects may be re-introduced if services can fund the capital financing costs from existing revenue budgets).
- Added less than £4m of schemes to the programme over 3 years for new demands.
- Cash-backed its capital contingency or has secured the means to do so in future.

- 1.6. This in no way implies that the Council should not consider further reducing its reliance on borrowing from exceptional unplanned capital receipts.
- 1.7. Moreover, the budget report to the Council in February 2006 sought the Council's commitment to not adding to the capital programme significantly without significant additional capital receipts in excess of the level already planned. To this end the Council is undertaking a major options review of its Commercial Estate and a more strategic approach to capital receipts is recommended in this review.
- 1.8. Part 1 of the Capital Review also identified a number of processes used to develop and manage the capital programme which need to be strengthened, including:
 - Links to corporate priorities - the current programme is attempting to meet a multitude of ambitious objectives at the same time, including some significant major projects, development projects and transport and housing needs. Future capital investment needs add to this, for example, further development aspirations, transport, waste, and WorkSMART.
 - Affordability - the Council needs an explicit framework to balance the pressures on revenue and capital budgets in the future.
 - Considering more explicitly, the balance between the maintenance of existing assets, new service-based projects and re-development/revitalisation projects.
 - The accuracy in the phasing of scheme costs and forecasting expenditure.

- 1.9. This short report presents the findings of the Capital Review Part 2 in the form of a Framework for Capital Investment Planning and Management.
 - 1.10. The review has not been restricted to just findings and recommendations. It has gone further to develop solutions ready for implementation between July to September 2006.
- ## 2. A FRAMEWORK FOR CAPITAL INVESTMENT PLANNING AND MANAGEMENT
- 2.1. The approach to the review has been to:
 - Compare the Council's practice and consistency of practice against a framework based on current good practice within the Council, other Councils, the Audit Commission, and the Comprehensive Performance Assessment (CPA).
 - Make recommendations for building on the Council's current practices and processes.
 - Start developing solutions up to a point where they can be implemented.
 - Use small task and finish groups of officers from across the Council to develop proposals.
 - 2.2. The framework for capital investment planning and management is shown in Figure 2.1 overleaf.

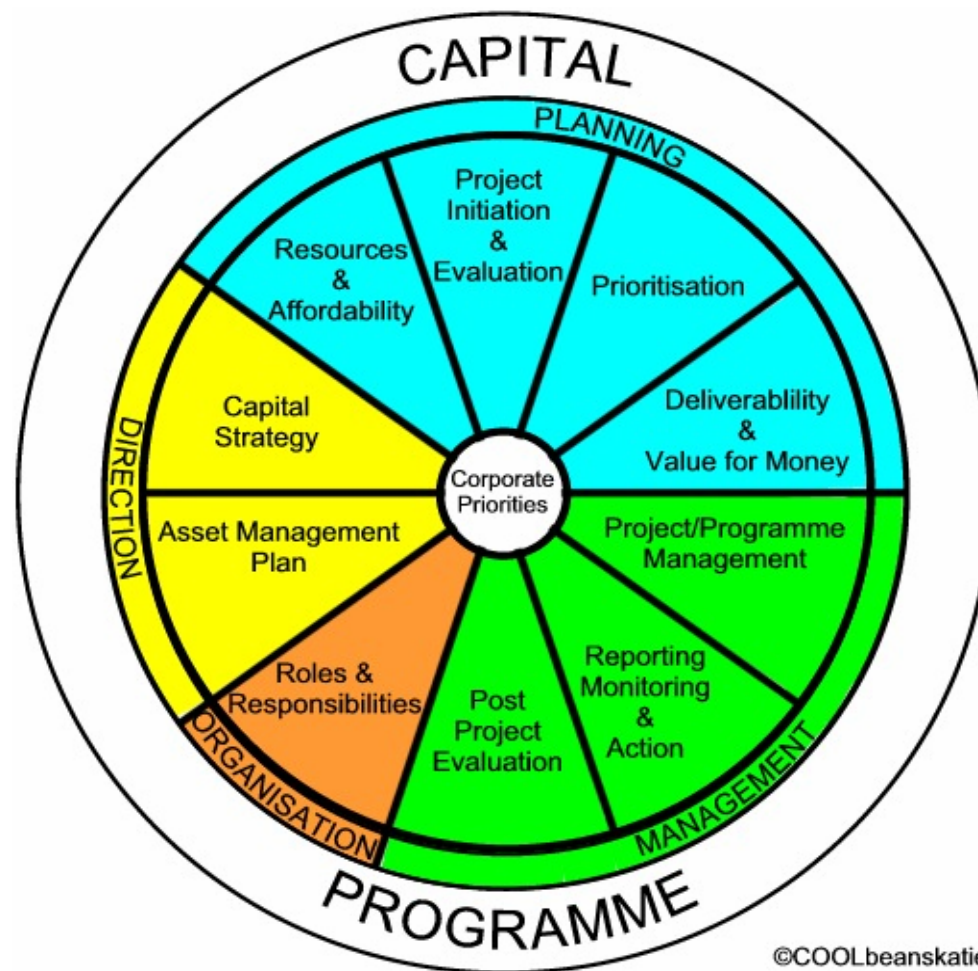
2.3. The framework emphasises:

- **DIRECTION:** Expressed in a clear, pragmatic and up-to-date Capital Strategy and Asset Management Plan(s) which supports the Council’s corporate priorities and sound management of assets.
- **PLANNING:** A clear decision – making framework to ensure the programme is closely linked to corporate priorities and the programme is affordable. Robust project/programme initiation and evaluation processes to ensure deliverability and value for money of projects underpin this.
- **MANAGEMENT:** Robust project/programme level and corporate level management, reporting and monitoring of the programme in terms of cost, time, risks and governance;
- **ORGANISATION:** A clear set of roles and responsibilities throughout the process of planning and delivering the programme.

2.4. Small task and finish groups of officers from across the Council worked to develop proposals.

2.5. Face to face consultation was also carried out with Heads of Service with large capital programmes.

Figure 2.1: Framework for Capital Planning and Management



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3. FINDINGS AND RECOMMENDATIONS

- 3.1. The findings and recommendations of the review are summarised in Figures 3.1-3.4 in this section. The figures also include progress made on the planned actions where officers have already started to develop solutions.
- 3.2. Figure 3.5 summaries the main recommendations and actions against the framework in Figure 2.1.
- 3.3. The recommendations and planned actions reflect many of the recommendations of the review of major and complex projects undertaken by the Council's external auditors in 2003 and which has been followed up in 2004 and more recently in June 2006.
- 3.4. Almost all of the recommendations have either been implemented or will be during 2006. This review extends many of those good practices across the rest of the capital programme and in some instances the recommendations go beyond the auditor's review.

Figure 3.1: Findings and Recommendations: Capital Review 2 – DIRECTION		
Best Practice and Findings	Recommendations/Actions	Progress
<p><i>Best Practice</i></p> <p>A regularly updated Capital Strategy to guide decision making in the capital investment and to ensure the programme is linked to corporate priorities.</p> <p>The Capital Strategy should show explicitly the balance between affordability of the capital programme in revenue terms, new projects, supporting the revitalisation of the area, and maintenance of current assets.</p> <p><i>Findings</i></p> <p>The Council's Capital Strategy was last updated in 2002. It received a GOOD rating from the Government Office of the South West. The rating means that the Council is not <u>required</u> to update the strategy. Nevertheless, it is good practice to review the strategy annually.</p> <p>An initial Capital Strategy for 2006-07 to 2008-09 has been prepared and approved by the Strategic Director – Support Services in March 2006. It reflects the currently agreed Capital Programme over three years.</p> <p>The initial Capital Strategy 2006-07 to 2008-09 needs to be developed further during 2006-07 in order to reflect the other processes recommended here, provide stronger links to corporate priorities, and take a longer term outlook.</p> <p>A framework needs to be developed to allow the Council to explore explicitly the balance between new projects, supporting the revitalisation of the area, and maintenance of current assets within an affordable level of borrowing.</p>	<p>That the Executive approves the current Capital Strategy 2006-07 to 2008-09. (See Annex 1).</p>	<p>Approval expected at this meeting.</p>
	<p>That CS&AMG and PPB review and update the Capital Strategy and AMP annually in the light of changing circumstances, priorities, resources and affordability and make recommendations to the Council Executive.</p>	<p>This needs to be timetabled (See Annex 6) and started.</p>
	<p>In reviewing the Capital Strategy the Council needs to take a longer-term view than three years – say a five-year programme and a 10-20 year outlook. The information to develop this should be incorporated into the service planning process.</p>	<p>This needs to be timetabled (See Annex 6) and started.</p>
	<p>Develop a framework to allow the Council to explore explicitly the balance between new projects, supporting the revitalisation of the area, and maintenance of current assets within an affordable level of borrowing.</p>	<p>Not yet started.</p>

Figure 3.1: Findings and Recommendations: Capital Review 2 – DIRECTION		
Best Practice and Findings	Recommendations/Actions	Progress
<p><i>Best Practice</i></p> <p>A regularly updated Asset Management Plan covering the major capital assets/liabilities of the Council.</p> <p><i>Findings</i></p> <p>The Council’s Corporate Asset Management Plan was last updated in 2002 and scored a “good” rating at that time.</p> <p>The Council’s Education Asset Management Plan is updated and used to plan the Education Capital Programme.</p> <p>The corporate property AMP has been reviewed and updated and is submitted to the Council executive for approval in July 2006.</p> <p>The Council’s Corporate Asset Management Plan covers the “Corporate Estate” and currently excludes the “Commercial Estate” (which is the subject of a separate Options Review).</p> <p>The Commercial Estate is however currently managed in accordance with the Active Management Strategy approved by members in 2001.</p> <p>There is no AMP for Highways, although corporate property allocated to, or held for, highway purposes is included in the corporate AMP.</p>	<p>The Executive approves the current Corporate Property Asset Management Plan (AMP).</p>	<p>Approval of the AMP is a separate item on the agenda for the Council Executive 12th July 2006.</p>
	<p>The results of the Commercial Estate Option review form the basis of the AMP as it relates to the Commercial Estate.</p>	<p>To follow the outcome of the current options review.</p>
	<p>Consider a separate AMP for Highways.</p>	<p>Not yet started.</p>
	<p>Develop performance indicators to provide clear headline information about levels of maintenance needs/backlog (Corporate, Education, Highways), projections of the backlog under current budgets, the resources needed to maintain a steady state, and the level of resources required to make in-roads in to the backlog.</p>	<p>This is being developed within the Corporate Property Asset Management Plan and the Education AMP. Consideration to be given to Highways. Development of this information for the Commercial Estate awaits the outcome of the current options review.</p>

Figure 3.1: Findings and Recommendations: Capital Review 2 – DIRECTION		
Best Practice and Findings	Recommendations/Actions	Progress
<p>The AMP is a detailed document – high-level strategic information about property performance, suitability and maintenance needs is beginning to be developed in order to inform decisions about maintenance spend, portfolio usage and rationalisation in the future.</p> <p>There is currently no annual report on the performance of property assets, although performance information on the property portfolio is reported within the AMP. Highways and Transportation produces an annual review of the Local Transport Plan for the Department for Transport, which is considered by Members.</p>	<p>Continue development of the property performance model to apply objective analysis of repair and maintenance needs together with factors concerning the suitability of properties for their purpose.</p>	<p>Property performance model is drafted and a dry run is to be undertaken based on existing data.</p>
	<p>Implement an Annual Report on performance of the Council corporate property assets and of the Commercial Estate.</p>	<p>Annual Report is due to be published in September 2006.</p>

Figure 3.2: Findings and Recommendations: Capital Review 2 – PLANNING		
Best Practice and Findings	Recommendations/Actions	Progress
<p><i>Best Practice</i></p> <p>There are clear projections of resources within which capital planning is carried out.</p> <p>There is a clear decision-making framework including criteria for evaluating and prioritising projects to corporate priorities.</p> <p>There is proper consideration of the affordability of the Capital Strategy and programme.</p> <p>Schemes are properly initiated, well planned, including the use of “gateways”, challenge and support.</p> <p>The experience of past projects is incorporated into the planning for future projects.</p>	<p>That the project initiation and deliverability process outlined in Annex 2 be adopted and that the various groups be established to develop the proposals. The process is to include all capital projects/ programmes with the exclusion of those concerned with the management of the Commercial Estate unless those projects involve the Council in financial or other risk/ commitment.</p>	<p>Directors Group and PPB have agreed the high level process. If the Executive approves the process, its development can be accelerated through PPB, PI&DG and CS&AMG.</p>
<p><i>Findings</i></p> <p>The Council’s capital planning has led in the past to an over-commitment to unsupported borrowing. The Council needs to send a clear message about available resources based on a clear framework, which balances</p>	<p>To introduce a project initiation form for all projects/ programmes, and a full business case template and a Project Execution Plan for projects above £500k as part of the planning process. The process to ensure Member involvement in project initiation.</p>	<p>All three documents have been drafted ready for PI&DG, CS&AMG and PPB to amend and agree.</p>

Figure 3.2: Findings and Recommendations: Capital Review 2 – PLANNING		
Best Practice and Findings	Recommendations/Actions	Progress
<p>affordability with aspirations. Within those aspirations the Council needs a framework to decide explicitly the balance between maintenance, new service based projects, and development projects.</p> <p>The Council’s policy is to “passport” Government supported capital allocations (Single Capital Pot allocations) to the relevant service. Other projects are then prioritised against other available resources, usually capital receipts and unsupported borrowing.</p> <p>Other Council’s follow the same regime – however, others “top-slice” those allocations (e.g. by 10%) and prioritise projects against formal and agreed criteria.</p> <p>Given that capital investment needs will nearly always exceed resources and the single capital pot allocations</p>	<p>That the CS&AMG on the advice of the Council’s s 151 officer (or deputy s151 officer) set the scene early on available capital resources in order to prevent excessive bids and abortive work. The timing of this should be such that it can be communicated prior to the service planning process and project initiation and prioritisation i.e. preferably by the end of July.</p>	<p>To be developed July – September 2006.</p>
	<p>To develop a more strategic approach to capital receipts generation based on the asset management plan.</p>	<p>To be developed July – December 2006.</p>

Figure 3.2: Findings and Recommendations: Capital Review 2 – PLANNING		
Best Practice and Findings	Recommendations/Actions	Progress
<p>are very closely aligned to the Council’s corporate priorities (Improving the learning environment, transport and affordable housing) it is reasonable to continue this policy of passporting.</p> <p>The annual planning process is based on capital receipts targets, which have been developed in 2006 but a more strategic approach to the generation of capital receipts is needed.</p> <p>Currently, the Council’s project initiation and prioritisation is integrated within the service planning process. While these are linked to the Council’s priorities, processes can be strengthened and formalised based on clear initiation, prioritisation criteria, and business cases that are scrutinised for deliverability.</p> <p>Formal prioritisation criteria need to include statutory /regulatory duties or other legal commitments, the extent to which project meets Council's priorities, the extent to which the project/programme contributes to the sound management of the Council, improvements in value for money and efficiency, environmental/ sustainability impact, risk, and financial commitment. These criteria are guidelines and not rigid criteria. Should the criteria not produce a sensible answer, Members should have the opportunity to over-ride them as long as the logic for doing so is clear.</p>	<p>To minimise further additional unsupported borrowing and preferably reduce existing unsupported borrowing through exceptional capital receipts.</p> <p>A framework/ for decision-making needs to be developed by the CS&AMG, PPB, Executive and Council on the advice of the Council's s 151 officer to ensure an explicit balance is maintained between affordability (in relation to revenue budget and reserves), maintenance, new service based projects, and development projects.</p>	<p>The framework will be developed between July and September 2006 in the context of prudential indicators and the risks that the Council faces in the short, medium and long term.</p> <p>The need to minimise further additional unsupported borrowing and preferably reduce existing unsupported borrowing through exceptional capital receipts is already embodied in Council resolutions but is subject to an annual review of risks.</p>
	<p>For the Capital Strategy and Asset Management Group to further develop and recommend criteria for capital programme prioritisation to PPB and the Council Executive and to review these criteria annually.</p>	<p>Draft criteria have been developed. These will be further developed when the CS&AMG is constituted. Recommendations will go to PPB and then onto the Executive as part of the service planning report in September 2006.</p>

Figure 3.2: Findings and Recommendations: Capital Review 2 – PLANNING		
Best Practice and Findings	Recommendations/Actions	Progress
<p>The Council’s level of capital slippage may be the result of insufficient planning of projects and scrutiny about the deliverability of projects (and monitoring).</p> <p>A formal project initiation process, which includes testing deliverability of a project, will assist in adding rigour to the current process.</p> <p>The Council ambitious capital programme still relies heavily on unsupported borrowing.</p>	<p>That the PI&DG’s role is to test deliverability (time, cost, capacity risk) of delivering projects and that it should signpost support for improvement in delivery of projects.</p>	<p>Under development. However, the PI&DG’s role will take on more significance as it gathers more information from current projects.</p>
	<p>That consideration of value for money be incorporated into the capital programme in the business case in terms of costs/ benefits, project costs compared to reference projects and historical data, professional fees compared to reference projects and historical data, and deliverability in terms of costs, time and risk predictability.</p>	<p>All these proposals are currently under development and testing for practicality. This should be complete by the end of July.</p>
	<p>The Assistant Director Support Services (Finance) consider the introduction of whole life costing in 2007 where appropriate.</p>	<p>Not a priority at this stage compared to introducing the processes recommended elsewhere in the review.</p>

Figure 3.3: Findings and Recommendations: Capital Review 2 – PROGRAMME MANAGEMENT		
Best Practice and Findings	Recommendations/Actions	Progress
<p><i>Best Practice</i></p> <p>All projects and programmes have clearly identified project/ programme sponsors and managers who are accountable for planning, management and reporting.</p> <p>Roles and responsibilities are clearly defined and training is provided where needed.</p> <p>There is well established project/programme and corporate reporting process that covers:</p> <ul style="list-style-type: none"> • Total project costs and budgets • Phased project costs and budgets • Physical progress against gateways/ key milestones • Performance • Contingencies • Risks 	<p>To ensure all projects/ programmes have designated project/ programme sponsor and manager.</p>	<p>To be completed by September 2006 – see capital programme timetable (Annex 6)</p>
	<p>Clarify “rules” of capital programme management with project managers</p>	<p>To be completed by September 2006 – see capital programme timetable (Annex 6)</p>
	<p>To complete the project management handbook and start to develop training.</p>	<p>A comprehensive draft of the Handbook has been developed. It now needs to be made consistent in terminology and with the processes recommended in this review.</p> <p>Training arrangements are being discussed and planned with HR.</p>

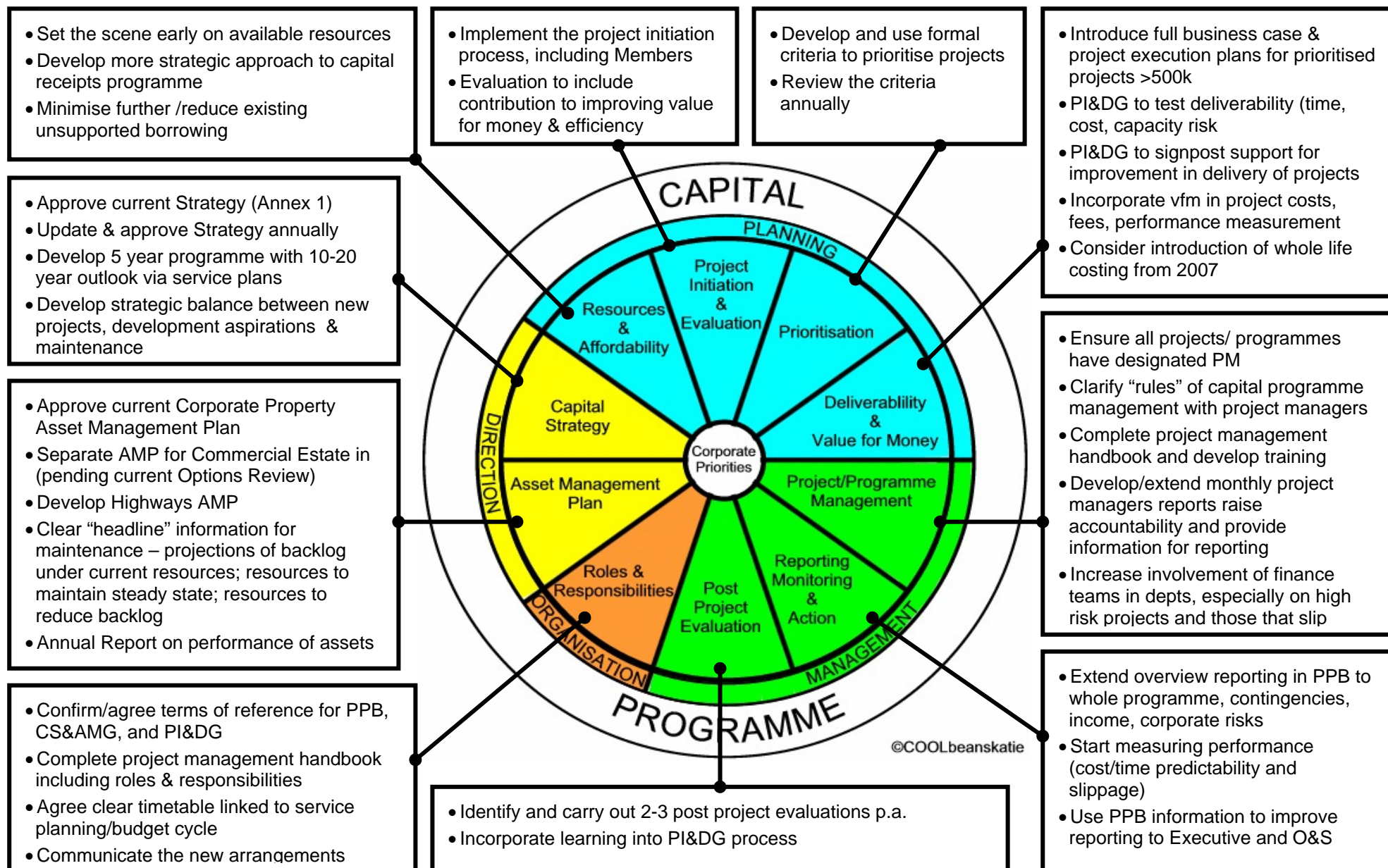
Figure 3.3: Findings and Recommendations: Capital Review 2 – PROGRAMME MANAGEMENT		
Best Practice and Findings	Recommendations/Actions	Progress
<ul style="list-style-type: none"> • Future issues <p><i>Findings</i></p> <p>It is not always clear that all projects and programmes have clearly identified project/ programme sponsors and managers.</p> <p>The Council experiences significant slippage (25-30% on original capital budgets) over the past 3 years. This appears to be related to planning but also a large proportion of the slippage is related to a small number of programmes. This may also be a result of the “rules” of capital programme management being unclear with project managers. A focus on these key programmes may substantially improve the Council’s performance.</p> <p>Formal reporting by project/programme management is not well established beyond major projects.</p> <p>Finance teams are not fully engaged in the capital programme.</p> <p>Reporting to the Council Executive is focused mainly on phased project costs and annual budgets. Reporting to PPB is based on major projects with a focus on total project costs. A blend of the two approaches over the whole capital programme will vastly improve reporting on the capital programme overall.</p>	<p>To further development and implementation of regular monthly project/programme managers reports. It is proposed that these are formally signed off by project managers and project sponsors in order to improve accountability and communications.</p>	<p>Not started – to be prototyped by end of July. Consideration will also need to be given to the use and further development of Agresso, particularly Project Budget and Billing.</p>
	<p>To increase the involvement of devolved finance teams in capital monitoring, especially on high risk projects and those that traditionally slip.</p>	<p>Assistant Director Support Services (Finance) to agree roles and responsibilities consistent with “Reshaping Finance” proposals.</p>
	<p>To improve reporting to the Project Programme Board including the whole of the programme, capital resources to be implemented from September 2006 to address the findings of the review.</p>	<p>Draft proposals developed. Full implementation from September 2006.</p>

Figure 3.3: Findings and Recommendations: Capital Review 2 – PROGRAMME MANAGEMENT		
Best Practice and Findings	Recommendations/Actions	Progress
<p>Reporting to PPB has (rightly) focussed on major projects. The reporting to PPB now needs to be extended to cover the whole capital programme at appropriate levels of detail. Reporting to Directors' Group and the Council Executive can be improved as a result of extending and improving reporting to PPB.</p> <p>The Council does not measure and monitor cost and time predictability across the whole capital programme.</p> <p>There is a well-established process of reporting to Directors, PPB and the Executive.</p> <p>Reporting to PPB has (rightly) focussed on major projects. The reporting to PPB now needs to be extended to cover the whole capital programme at appropriate levels of detail.</p> <p>Improved reporting to PPB can in turn improve reporting to the Council Executive and O&S Panels.</p> <p>There are some post project evaluations but they are not systematic.</p>	<p>Start measuring performance (cost/time predictability and slippage)</p>	<p>To be developed as part of PPB reporting.</p>
	<p>To use the improved information/reporting to PPB to improve reporting to Executive, O&S Panels and the new emerging management arrangements on the capital programme (physical progress, in year budgets, total scheme costs, risks, governance, performance)</p>	<p>To introduce this once the reporting to PPB is established. Estimated timescale = April 2007.</p>
	<p>To identify and carry out 2-3 post project evaluations p.a. across a different range of projects/programmes and to incorporate the learning to further improve deliverability of projects over time.</p>	<p>Projects to be agreed by April 2007 and evaluations complete six months after completion of projects (i.e. facilities are available)</p>
	<p>To incorporate the learning from projecting progress against gateways, vfm, and deliverability into the PI&DG process to further improve deliverability of projects over time.</p>	<p>Ongoing collection of data for similar types of projects.</p>

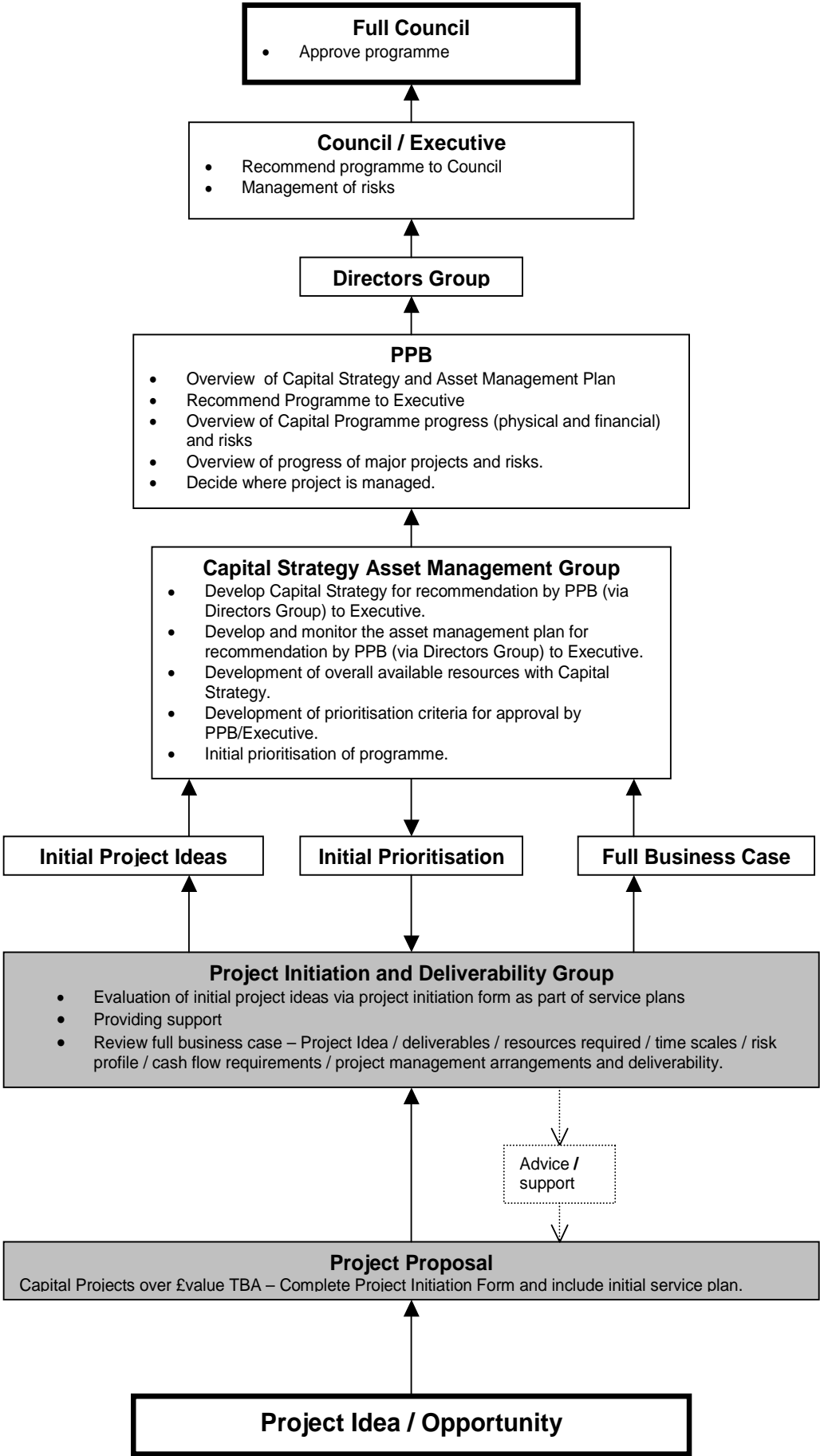
Figure 3.4: Findings and Recommendations: Capital Review 2 – ORGANISATION		
Best Practice and Findings	Recommendations/Actions	Progress
<p><i>Best Practice</i></p> <p>That cross-Council structures exist to support robust capital programme planning and management.</p> <p>That roles and responsibilities from individual project programme managers to decision-makers are clear and training provided (e.g. in a project management handbook), communicated.</p> <p>There is a clear timetable of the key stages for planning and approving the capital programme.</p> <p><i>Findings</i></p> <p>The Council's external auditors carried out a review of the Council's arrangements for major and complex projects in 2003 and have made follow up reviews in 2004 and in June 2006.</p> <p>In a recent follow up it was agreed that all of the recommendations have been implemented, are ongoing or will be completed in 2006.</p> <p>The Council now has strong arrangements for the management of major projects.</p> <p>The Council's arrangements for capital planning need to be strengthened.</p>	<p>That the Executive approves the outline structure/process for project initiation and programme planning as set out in Annex 2.</p>	<p>Directors Group and PPB have agreed process. Major Projects O&S have been consulted. Resources O&S will receive the report in July. The key issue is now to develop and make the process operational in time for the 2007-08 service planning/budget cycle.</p>
	<p>That the Executive confirms the Terms of Reference for the Project Programme Board. (Annex 3)</p>	<p>Approval expected at this meeting.</p>
	<p>That the Executive approve the Terms of Reference for the Capital Strategy and Asset Management Group and for the Project Initiation and Deliverability Group. (Annexes 4 and 5)</p>	<p>Approval expected at this meeting.</p>

Figure 3.4: Findings and Recommendations: Capital Review 2 – ORGANISATION		
Best Practice and Findings	Recommendations/Actions	Progress
<p>The Council is developing a comprehensive Project Management Handbook that clearly identifies roles and responsibilities, as well as other advice and support. This is targeted for completion by December 2006 and it is planned to launch this with training for project/programme managers.</p> <p>The timetable for capital planning is currently part of the service planning process. However, the implementation of the proposals in this review requires a more detailed plan. A draft has been developed</p>	<p>That the development of a Corporate Project Management Handbook is completed by and training commenced on project management by the end of 2006</p>	<p>A comprehensive draft of the Handbook has been developed. It now needs to be made consistent in terminology and with the processes recommended in this review.</p> <p>Training arrangements are being discussed and planned with HR.</p>
	<p>For the CS&AMG to develop further the capital planning timetable (Annex 6) and ensure its consistency with the service planning process in order that capital planning remain integrated with service planning.</p>	<p>Draft prepared. It now needs integration with service planning/budget cycle.</p> <p>In addition, discussion is needed with O&S Chairs on their involvement in the process.</p>
	<p>That the Assistant Director Support Services (Finance) in conjunction with the Director of Development and Major Projects effectively communicate the new processes recommended in this review.</p>	<p>When the processes and documentation has been agreed it will be launched first during July at a high level and then in more detail in early September 2006</p>

Figure 3.5: Framework for Capital Planning and Management – Summary Action Plan



OVERVIEW OF THE COUNCIL’S CAPITAL PLANNING PROCESS



BATH & NORTH EAST SOMERSET COUNCIL

(Note: only minor changes are recommended to the current Terms of Reference. These are shown in italics)

PROJECT PROGRAMME BOARD - TERMS OF REFERENCE

To advise the Executive in relation to the impact of the Capital Programme on the Corporate Body.

To act as Capital Control Group to monitor & control expenditure of the Capital Programme.

To monitor and direct major project activities, exposure to risk and resource impacts.

Membership

The board shall be made up of the Executive Members for Resources and Economic Development together with the Chief Executive (Chair), S151 Officer and Director of Development and Major Projects.

Project Programme Board Role

The Project Programme Board will:

1. Review the position and progress of the capital programme. Monitor the overall or combined spend/predicted final costs and cash flows against the agreed budgets.
2. *To recommend to the Executive:*
 - *Carry forward of capital budgets from one year to the next*
 - *A draft capital programme for future years based on corporate priorities and available resources*
 - *Adjustment to the capital programme in the light of changes during the year (including virement, reductions, additional schemes)*
3. Have an overview of projects and to identify any major exceptions of corporate concern.
4. Monitor and review the overall risk exposure of the Council from developments and major projects and ensure satisfactory actions/plans are in place to manage this.
5. Advise the Executive on the overall level of exposure from project risk that should be considered when formulating the Council's budget and financial plan.
6. Review use of programme resource.
7. Ensure the various projects are programmed with due regard to the Council's capacity and best interests (including minimising disruption to the community).
8. Oversee the development of best practice in project management processes and reporting arrangements across the Council.
9. Advise Executive on 3rd party influences outside of Council control.
(Appoint the project leader, members of project boards and approving Terms of Reference for boards – to be deleted as this is a function of the Executive)
10. Monitor the adequacy of project governance arrangements.
11. Oversee the procurement approach to the Capital Programme.

BATH AND NORTH EAST SOMERSET COUNCIL CAPITAL STRATEGY & ASSET MANAGEMENT GROUP

Proposed Terms of Reference

Objectives

The role and objectives of the Capital Strategy and Asset Management Group are to recommend to the Project Programme Board (PPB):

1. A Corporate Capital Strategy reviewed annually and reported/approved as part of the Council's Corporate Plan/Financial Plan/budget process in February of each year. This is to include consideration of the appropriate time horizon for capital planning (e.g. 5 years plus a 10 year outlook)
2. A Corporate Asset Management Plan reviewed annually and reported/approved as part of the Council's Corporate Plan/Financial Plan/budget process in February of each year.
3. The prioritisation criteria, process and timescale for capital investment.
4. The resource envelope/range of resources available for new capital investment, including the balance of borrowing, capital receipts and the treatment of Single Capital Pot resources. This will include consideration of the balance between further reducing/avoiding borrowing, maintenance, new build facilities and development.
5. The initial prioritisation of projects considered by the Project Initiation and Development Group and other programmes and projects within the agreed resource envelope and prioritisation criteria. This includes recommending projects/programmes for which a full business case needs to be developed for the PI&DG to scrutinise for deliverability. It also includes recommendation for the appropriate start year to projects/programmes.
6. To deliver and approve the guidance on the capital programme to be included in the Service and Resource Planning process.
7. To develop a draft capital investment programme to meet the Council's agreed corporate priorities, statutory requirements and to facilitate the effective and sound management of the Council.

The roles and responsibilities of the CS&AMG within an integrated capital investment process are shown in the attachment to these Terms of Reference.

Culture of the CS&AMG

Officer representation is to be on a corporate basis, whereby group members

- Are objective and pragmatic with a view to providing solutions not merely identifying problems
- Are corporate and not "silo" biased with a clear remit to align proposals to corporate priorities, statutory requirements, risk and resources
- Seek to maximise opportunities to join up projects and programmes

Reporting Lines

The Capital Strategy and Asset Management Group reports to the PPB, who will make recommendations to the Council Executive via Directors' Group on the future capital programme, the Council's Capital Strategy and the Asset Management Plan.

Meetings

The CS&AMG meets on a quarterly basis, or more frequently when required to facilitate the relevant bidding rounds, the Council's decision-making process, and the service/resource planning timetable. The meetings are to be fully minuted.

Membership of the Capital Strategy & Asset Management Group

Co Chairs

Executive Member for Economic Development

Executive Member for Resources

Officers

Strategic Director to be nominated by Directors' Group

Assistant Director – Support Services (Finance)

Assistant Director – Support Services (Property and Facilities)

Assistant Director – Development (Major Projects) OR Director of Development &
Major Projects

Assistant Director – Planning and Transport Development

Assistant Director – (responsible for waste)

Assistant Director – Children's Services

Assistant Director (responsible for Housing)

Assistant Director - Improvement and Performance

Supporting Officers

Estates Manager - Property and Facilities on an ongoing basis.

From time to time the Group may require technical advice from other officers on aspects of the projects being considered.

May 2006

**BATH AND NORTH EAST SOMERSET COUNCIL
PROJECTION INITIATION AND DELIVERABILITY GROUP (PI&DG)**

Proposed Terms of Reference

Objectives

The role and objectives of the PI&DG are to:

1. To evaluate project ideas either as part of an external bidding process and the Council's service planning.
2. To decide whether initial project ideas:
 - Are of sufficient priority for the CS&AMG to prioritise corporately against available resources.
 - Requires further development in which case the PI&DG will make clear the extent of the further development required and any parameters within which the project should be developed.
 - Are of insufficient priority and should not be considered further at this stage.
3. To signpost support to project sponsors to develop their project ideas.
4. To evaluate the deliverability of projects (which CS&AMG) has prioritised against available resources) on the basis of a full business case and in terms of cost and time predictability and project resources.
5. To inform CS&AMG of schemes that need to be prioritised corporately where the judgement of the project initiator and the Group is that the project is unlikely to have funding approval from a third party, including a government department.
6. To recommend to PPB to development of best practice in project management processes.
7. To recommend to the Chief Executive (who will consult with Directors Group) on specific project arrangements, including:
 - Nominating accountable officers
 - Project management arrangements
 - Whether project management arrangements lie with the sponsoring, service, Property Services, or Developing Land Major Projects.

Culture of the PI&DG

Membership of the Group is on the basis of:

- A challenging but supportive but honest approach to project ideas and deliverability within available resources.
- A realistic respect of the resources available for capital investment.
- An objective view of the Council's priorities and initiatives.
- An ability to join up "potential projects to meet Council priorities.

Reporting

The PI&DG reports projects for prioritisation and deliverability to CS&AMG either within timetables for bidding to external bodies and/or the Council's Service Planning cycle. PI&DG will also report projects that it has decided should not be pursued and the reasons for the decision.

Meetings

The PI&DG will develop its own cycle consistent with bidding processes and the Council's service and resources planning cycle. The meetings are to be fully minuted.

Membership

Chair

Director of Development and Major Projects

Officers

Assistant Director Support Services (Finance)

Assistant Director Support Services (Property and Facilities)

Assistant Director Improvement and Performance

Assistant Director Development and Major Projects (Project Management)

Supporting Officers

From time to time the Group may require technical advice from other functions on aspects of the projects being considered.

Service & Resource Planning Draft Timetable - Capital Investment.

Date		PPB	CS & AMG	PI & DG	HOS/ADs	Support Services Finance	Dept Finance Teams	Executive	Directors Group
Jun-06									
26-Jun-06	Approval of appraisal format & criteria by PPB/Executive	26-Jun-06						12-Jul-06	
Jul-06									
12-Jul-06	Meeting of CS &AMG to agree criteria for prioritisation and initial view of services.		12-Jul-06						
28-Jul-06	Appraisal formats guidelines issued and Timetable to Finance Teams and Head of Service and Asst Directors.					28-Jul-06			
28-Jul-06	Capital programme timetable available on intranet					28-Jul-06			
Aug-06									
26-Aug-06	Programme showing 2006-07 and prior year continuations issued to Finance Teams & HOS (for confirmation)					26-Aug-06			
Sep-06									
19-Sep-06	Papers to CS & AMG					19-Sep-06			
24-Sep-06	All initial projects initiation forms to Finance Managers for review.				24-Sep-06				
26-Sep-06	Meeting at CS&AMG to review Capital & Asset Management plan.					26-Sep-06			
Oct-06									
08-Oct-06	Finance Managers send completed & reviewed programme initiation forms to support Services Finance.						08-Oct-06		

Service & Resource Planning Draft Timetable - Capital Investment.

Date		PPB	CS & AMG	PI & DG	HOS/ADs	Support Services Finance	Dept Finance Teams	Executive	Directors Group
08-Oct-06	Finance Managers confirm existing programme with HOS/AD.						08-Oct-06		
08-Oct-06	HOS/AD put summary capital programme in 1st draft & service plan.				08-Oct-06				
12-Oct-06	First draft Capital Programme/Funding Statement, and despatch to Directors Group.					12-Oct-06			16-Oct-06
24/10/2006 TBA	Meeting of PI&DG who reject/accept projects or ask more information.					24/10/2006-			
31-Oct-06	Papers to CS&AMG, send first draft Capital programme					31-Oct-06			
Nov-06									
14-Nov-06	Meeting of CS&AMG to review referrals from PI&DG					14-Nov-06			
14-Nov-06	Paper to PI & DG						14-Nov-06		
21-Nov-06	Meeting of PI & DG to review further additions to projects initiation forms.					21-Nov-06			
26-Nov-06	Papers to CS&AMG					26-Nov-06			
Dec-06									
03-Dec-06	Meeting of CS&AMG to recommend prioritised capital programme within available resources for 5 years to PPB.					03-Dec-06			
10-Dec-06	Papers to PPB (Draft report to Executive)					10-Dec-06			
17-Dec-06	Directors Group (Draft report to Executive)								17-Dec-06

Service & Resource Planning Draft Timetable - Capital Investment.

Date		PPB	CS & AMG	PI & DG	HOS/ADs	Support Services Finance	Dept Finance Teams	Executive	Directors Group
20-Dec-06	Meeting of PPB to recommend capital programme to Executive.				20-Dec-06	20-Dec-06			
Jan-07									
17-Jan-07	Informal Executive				17-Jan-07				
26-Jan-07	Report despatched to Executive.					26-Jan-07			
Feb-07									
07-Feb-07	Executive recommends capital programmes to council capital strategy and AMP							07-Feb-07	
12-Feb-07	Papers despatched to Council					12-Feb-07			
20-Feb-07	Full Council appraise Capital programme, capital strategy and asset management plan.				20-Feb-07	20-Feb-07			

Note: Timetable still needs development for involvement of O&S Panels and the development of the Capital Strategy and Corporate Asset Management Plan