

**21 January 2019**

**Governance of the Capital Programme**

**Report by Director of Law and Assurance**

**Summary**

Since the capital governance was approved in December 2015, it has been implemented across all capital programmes and projects. Experience of the last three years has led to some proposals for change in order to improve the efficiency and transparency of the capital approvals process in the following areas:

- New projects fully funded from external sources – it is proposed that, where new projects are funded entirely from external sources (grants/S106), their inclusion in the current year programme may be approved by Cabinet Member/officer decision in accordance with capital governance thresholds
- Block Allocations – where routine asset management programmes are marked as ‘Block Allocations’ approval will be by County Council decision in approving the five-year capital programme.
- Grant Allocations - where programmes are marked as ‘Grant Allocations’ approval will be by County Council decision in approving the five-year capital programme.

**Recommendation**

That changes to the governance of the capital programme, as set out in the report, are endorsed for recommendation to the County Council.

**Proposal**

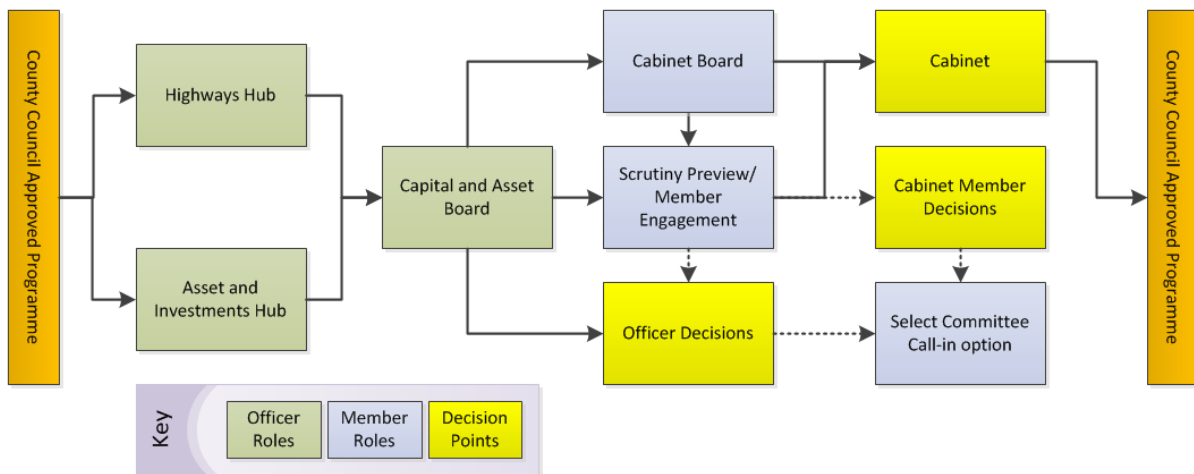
**1. Background and Context**

- 1.1 The County Council’s governance arrangements for a rolling five-year capital programme were agreed at its full meeting on 11 December 2015.
- 1.2 The arrangements clarify decision-making and member involvement – both executive and scrutiny – for the sake of transparency and assurance. The starting point is a sufficiently long-term programme to enable planning and investment over a number of years. The programme is reviewed for more detailed approval by the County Council each year at the budget meeting. There is also a need to show how decisions are made in year to implement the approved plan and to respond to developments and manage change.
- 1.3 The individual elements of the programme will be informed by Strategic Outline Cases (SOCs), demonstrating the purpose of a scheme, the range of options to achieve its objectives, its value, the proposed delivery mechanism and the arrangements for delivery. The SOC will set out the plan to produce

a more detailed Full Business Case (FBC) and seek approval for implementation. Approval will also be sought for any changes to a project's scope or overall budget after approval. For significant and high value projects and changes, member approvals are sought. For lower value or less significant changes, senior officers take such decisions within agreed limits as described below.

## 2. Proposal

- 2.1 An established officer governance process receives and considers proposed business cases and changes at service-based 'Programme Board' meetings. A standard model for business cases will be used, streamlined for less complex projects, to ensure the input is proportionate. These will be available for consideration by Select Committees if identified for preview.
- 2.2 All projects will have a business justification through the Strategic Outline Case. These will be presented for approval by the relevant Cabinet Member for inclusion in the process of prioritisation by the Cabinet each year ahead of recommendation to the Council for approval of the programme. Individual projects may as usual be considered by the Performance and Finance or relevant service select committees. The chart below describes both the development of the overall rolling programme each year and the decisions to implement the approved programme during the year:



- 2.3 Once the overall capital spend and programme are approved by the County Council, a Full Business Case will be produced for each project for approval of capital funding to implement them. Where a decision relating to the capital programme is also a 'key decision' it will be published in the Forward Plan. A quarterly report on the capital programme will be published in the Members' Information Service and linked to the Members' Information Network database. This will be the focus for monitoring the programme by both the Cabinet and the Performance and Finance Select Committee.
- 2.4 The officer governance is supported by a set of tools and procedures set out in the Capital Programme Handbook, which defines the process for getting schemes approved and managing change. In summary the system means:
- County Council-approved programme is based on SOCs;
  - Officers present business cases or proposed changes for implementation

- of approved schemes to an officer 'Programme Board' for endorsement;
- Schemes requiring investment or change go to senior officer board for approval prior to decision;
- Decision maker (officer/member) identified by published rules;
- Preview or call-in by Select Committee as usual for any decision;
- Quarterly review of programme delivery by the Cabinet Board and the Performance and Finance Select Committee;
- New proposals may be added to the programme by decision in accordance with published rules, if no new capital funding from the Council is required; and
- New proposals seeking new capital investment over and above the approved programme require full Council approval.

#### Block Allocations and Grant Allocations

- 2.5 As well as the large schemes and development projects that make up much of the capital programme, there will be routine investment in the core business of the Council and grant allocations for community groups to bid for funding.
- 2.6 Programmes managed through Block Allocations will be approved by the County Council on the basis of their SOC and subsequently planned and budgeted for through asset management plans, operating within the approved control totals. Such allocations will be marked as Block Allocations within the published capital programme and will include programmes of property and highways asset maintenance, fleet and equipment asset replacement and other comparable projects. The planning and implementation of Block Allocations will be delegated to the relevant Executive Director or Director.
- 2.7 Programmes of Grant Allocations will be approved by the County Council on the basis of their SOC and subsequently delegated to an identified member or officer to make awards in accordance within the agreed process set out. Such allocations will be marked as Grant Allocations within the published capital programme.

#### Change management

- 2.8 All significant or cross-portfolio changes will be taken through the Total Performance Monitor and published as Cabinet Member decisions in accordance with their portfolio. It is proposed that changes that fall within paragraph 2.10 below be dealt with through officer delegated powers. The Performance and Finance and service Select Committees will see the Forward Plan and have access to the business cases to preview as required.
- 2.9 Review of the capital programme performance management is part of the core business of the Cabinet Board and the Performance and Finance Select Committee on a quarterly basis.

#### Officer delegation

- 2.10 Authority is given to the Executive Director Economy, Infrastructure and Environment to take decisions relating to the approved capital programme

and its implementation, in consultation with the Director of Finance, Performance and Procurement and in accordance with the formal governance processes set out in the officer 'handbook'. These will include virement between budgets and increases or decreases within a tolerance. Changes to the scope or the timing of a scheme's implementation will also inform decision making. It is proposed that the scope of delegation to the Executive Director be limited to:

- (i) Where the level of investment or variation is no more than 5% of the total project cost or no greater than £250,000; or
- (ii) Where, not fitting within (i), the level of investment or variation is no more than 10% of the total project cost or no greater than £500,000 the Cabinet Member will be consulted before the decision is made; and
- (iii) Where the decision has not previously been marked by the relevant Cabinet Member for decision by the Cabinet Member; or
- (iv) Where the matter has been the subject of previous Cabinet Member decision delegating further decisions to the Executive Director; or
- (v) Where the relevant Executive Director, in discussion with the Cabinet Member, does not consider the matter to be politically sensitive and so the use of officer delegation would be appropriate.

2.11 Where a scheme is subject to more than one change in any financial year these will be considered cumulatively for this purpose.

### **3. Resources**

3.1 No resource implications.

### **Factors taken into account**

#### **4. Consultation**

4.1 The proposals have been developed in consultation with service officers as part of the governance of the capital programme.

#### **5. Risk Management Implications**

5.1 None.

#### **6. Other Options Considered**

6.1 The proposed changes are to address issues with the existing governance arrangements which are counter-productive in several areas.

#### **7. Equality Duty**

7.1 Not applicable.

#### **8. Social Value**

8.1 Not applicable.

#### **9. Crime and Disorder Act Implications**

9.1 None.

## **10. Human Rights Implications**

10.1 None.

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### **Background Papers**

None