

# Waverley Borough Council Scrutiny Review

“Capital Expenditure Process and  
Management Review”

September 2017

## **SCOPING A SCRUTINY REVIEW**

### **Background**

Overview and Scrutiny by definition of the Local Government Act 2000 has the power to investigate and review an issue or concern by conducting an in-depth scrutiny review. Choosing the right topic for an in-depth scrutiny review is the first step in guaranteeing that the work of scrutiny adds value to the corporate priorities and benefits the Borough's residents. The Overview and Scrutiny Committee may wish to appoint a Members task and finish group to undertake a majority of the research and to evaluate the evidence.

### **What makes an effective scrutiny review?**

An effective scrutiny review must be properly project managed. The review must clearly state the aims and objectives, rationale and how the review will contribute to policy development / improve service delivery. To ensure the review goes well it is vital that the scope is robust and thorough and is treated as a project plan. The review should be SMART (Specific, Measurable, Achievable, Realistic & Time-bound) in its scope in order to have the most impact. The scoping template is designed to ensure that the review from the outset is focused exactly on what the Members hope to achieve.

The scoping document should be treated as the primary source of information that helps others understand what the review inquiry is about, who is involved and how it will be undertaken. Once the scoping document is complete it should be circulated to relevant officers and key members of the Executive for comment before being agreed by the relevant Overview & Scrutiny Committee. The scrutiny review will be supported by the Scrutiny Policy Officer.

### **What happens after the review is complete?**

It is important that the relevant Overview & Scrutiny committee considers whether an on-going monitoring role is appropriate in relation to the review topic and how frequent progress is reported back to the Overview & Scrutiny committee after completion. Overview & Scrutiny should be monitoring the progress and reviewing the changes that have been made as a result of a scrutiny review to ensure the work undertaken has been effective in achieving its objectives.

**FOR COMPLETION BY MEMBERS PROPOSING THE REVIEW**

Topic		
1.	Title of proposed review:	Capital Expenditure Process & Management Review
2.	Proposed by:	Cllr Mike Band

Who is involved?		
3.	Chair of the task and finish group:	
4.	Members on the task group:	
5.	Scrutiny Policy Officer:	Alex Sargeson

Research programme	
6.	<p><b>Rationale / background to the review:</b>            Why do you want to undertake this review?            What has prompted the review? E.g. legislation, public interest, local issue, performance information etc.</p> <p>The committee has observed significant slippage in the capital programmes of both the General Fund and the Housing Revenue Account (HRA) and as a result the committee is concerned that this may be leading to both poor value for money and also possible poor customer service. Whilst there can be reasonable grounds for some slippage, the extent of the slippage in relation to the total programme and the lateness in identifying it appears to be inhibiting the introduction of replacement capital project expenditure (CAPEX) items and making full use of the resources already approved by the Council.</p> <p>In particular, the committee want to undertake the review to:</p> <ul style="list-style-type: none"> <li>• Minimise project slippage.</li> <li>• Minimise delays in delivering projects.</li> <li>• Maximise the use of Council funding.</li> <li>• Reduce the reputational risk of occurring and re-occurring slippage.</li> </ul>

This in-depth scrutiny review runs parallel with the proposals in the Medium Term Financial Strategy to implement a new, more rigorous bidding and monitoring process for General Fund capital schemes, including rigorously testing all capital proposals for relevance, timeliness and deliverability (MTFS June '17). Moreover the Financial Strategy 2017/18 – 2019/20 General Fund Budget 2017/18 states that the capital programme has been scaled back due to revenue budget pressure and the loss of the New Homes Bonus. Therefore there is every need to ensure the capital programme reflects a more rigorous bidding process which also reflects the Council's corporate priorities to ensure greater value for money and customer service.

7. **Terms of reference:**  
 What are your desired outcomes?  
 What are the objectives for this review? (Linked to the research questions but are used to describe the general aims and outcomes of the review).  
 Which research questions do you want to answer? (Questions upon which the review will be focused and for which timely and informed answers can be developed in accordance to the evidence collected)

### Terms of reference

#### Desired outcomes

- To either give assurance that the current capital programme processes and procedure do give value for money.
- Or, make recommendations to the Executive, for;
- Improvements to the CAPEX processes and procedures in both the identification and management of project slippages.
  - A protocol and method for introducing replacement CAPEX items following early identification of slippage and;
  - All proposed capital projects are timely, deliverable and give better value for money and customer service.

#### Objectives for the review

The committee would like to scrutinise in-depth the following process and procedures used in both the General Fund and HRA:

- Identifying and reporting on capital project slippages.
- Identifying and approving substitute capital items where significant slippages have taken place
- Identifying and selecting capital expenditure items to be included in the capital programme; including the bidding process and justification forms.
- Managing and monitoring the capital items.

#### Research questions

- What are the root causes of capital slippage in both the General Fund and the HRA?
- What is the current process for monitoring CAPEX items in the capital programme?

	<p>And what is the current protocol for CAPEX items that have a significant amount of slippage?</p> <ul style="list-style-type: none"> <li>• Why do services not report slippages sooner?</li> <li>• Does the current CAPEX bidding process lend itself to producing capital slippages? And if so, why?</li> <li>• How imbedded are project plans in the bidding process?</li> <li>• How does the current bidding process measure relevance, timeliness and deliverability of proposed CAPEX items?</li> <li>• Does the current justification process explicitly describe the resources needed to deliver the project?</li> </ul>
8.	<p><b>Policy Development and Service Improvement</b> How will this review add value to policy development and/or service improvement?</p> <p><b>Policy Development:</b></p> <p>This review has policy development implications for ensuring processes and procedures do give value for money by:<sup>1</sup></p> <ul style="list-style-type: none"> <li>• Delivering projects in a timely fashion.</li> <li>• Allowing for more effective treasury management.</li> <li>• Reviewing the bidding process for CAPEX items to find out whether this inherently promotes unwanted slippage.</li> <li>• Setting out a clear procedure / protocol for submitting a capital proposal.</li> <li>• Introducing project planning in the bidding process to ensure better management of projects to avoid significant slippage in the future.</li> </ul>
9.	<p><b>Corporate priorities:</b> How does the review link with the corporate priorities? <a href="http://www.waverley.gov.uk/info/200009/council_performance/524/waverley_corporate_plan_2016_-_2019#">http://www.waverley.gov.uk/info/200009/council_performance/524/waverley_corporate_plan_2016_-_2019#</a></p> <p>There is scope for this review to potentially impact on all corporate priorities depending on the projects, but particularly value for money. The careful use and planning of budgets allows for better financial management and treasury management to maximise interest income.</p>
10.	<p><b>Scope:</b> What is and what isn't included in the scope? E.g. which services does the scope cover?</p> <p><b>This scope includes:</b></p> <p>Capital expenditure projects for:</p> <ul style="list-style-type: none"> <li>• The General Fund Account (GF)</li> </ul>

<sup>1</sup> NB: these are initial suggestions which may or may not inform the recommendations from this scrutiny review.

	<ul style="list-style-type: none"> <li>• The Housing Revenue Account (HRA).</li> </ul> <p><b>This scope does not include:</b></p> <ul style="list-style-type: none"> <li>• All other finance accounts (e.g. the revenue budget) and monies from Central Government Grants, Council tax, business rate retention income and the Revenue Support Grant.</li> <li>• Section 106 funded projects.</li> <li>• The exchequer service.</li> </ul> <p>NB: This scrutiny task and finish group will not encroach on work of the audit committee.</p>
11.	<p><b>Methodology and methods:</b> Your methodology underpins how you will undertake the review. For example what evidence will need to be gathered in-house and from external stakeholders / partners? Your research methods are the techniques used to gather knowledge and information. These include but are not limited to desk based research, interviews, site visits, engagement exercises, surveys, focus groups etc. How do these methods help you to answer your research questions in section 7?</p> <p><b>Methodology:</b></p> <ul style="list-style-type: none"> <li>• Review past capital slippages and the reasons why projects couldn't be delivered.</li> </ul> <p><b>Preliminary / core documentation that will need to be collected to inform this review is as follows:</b></p> <ol style="list-style-type: none"> <li>a. Council Budget</li> <li>b. The Capital Programme (General Fund &amp; HRA)</li> <li>c. CAPEX justification forms</li> </ol> <p><b>Methods:</b></p> <p>A series of Members task group meetings will be held to hear evidence from officers. Members will hear information and statements from witnesses and then ask questions to probe additional information to answer the key research questions set out in this scope.</p>

Council services expected to contribute	
Council Service	Reason / Intention for evidence
12.	Finance: Accountancy
13.	

14.		
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External Witnesses to be invited / submit evidence		
	Organisation	Reason / Intention for evidence
15.		
16.		
17.		
19.		

20.	<b>Project plan:</b>	
	What is the proposed start and finish date?	
	How many task and finish group meetings are there likely to be?	
	Are the task and finish group meetings going to be thematic in approach? If so, what themes / policy issues will the task group consider in each respective task and finish group?	
	<b>Timescale</b>	
	Proposed start date:	September 2017
	Proposed finish date:	January 2018
	<b>Task and finish group plan</b>	
	How many task and finish group meetings are anticipated to support this review? Fill in and strike through as appropriate.	
	<b>Task group theme (1):</b>	
<b>Aim:</b>		
<b>Witnesses:</b>		
<b>Task group theme (2):</b>		
<b>Aim:</b>		
<b>Witnesses:</b>		
<b>Task group theme (3):</b>		
<b>Aim:</b>		

	<b>Witnesses:</b>
21.	<p><b>Scrutiny resources:</b> In-depth scrutiny reviews are facilitated and supported by the Scrutiny Policy Officer.</p> <p>Alex Sargeson, Scrutiny Policy Officer (research and policy support to task group with the responsibility to compile information and write the final report).</p> <p>Yasmine Makin, Graduate Management Trainee (research and policy support to the task group).</p> <p>Amy McNulty, Democratic Services Officer (organisation of task group meetings and recording key points and actions in task groups)</p>

**For completion by Corporate Policy Manager**

22.	<p><b>Corporate Policy Manager comments:</b> Will the proposed scrutiny timescale impact negatively on the scrutiny policy officer's time? Or conflict with other work commitments I am confident that the timescale and scope for this review will be manageable within the context of the overall Overview and Scrutiny programme.</p>	
	Name:	Louise Norie
	Date:	25 August 2017

**For completion by Lead Director**

23.	<p><b>Lead Director comments:</b> Scrutiny's role is to influence others to take action and it is important for the task and finish group to seek and understand the views of the Lead Director.</p> <p>Are there any potential risks involved that may limit or cause barriers that scrutiny needs to be made aware of?</p> <p>None.</p>	
	<p>Are you able to assist with the proposed review? If not please explain why? (Are you or Senior Officers able to provide supporting documentation to this task group via the coordination of the Scrutiny Policy Officer?)</p> <p>Yes - I feel that the O&amp;S involvement in this important area is welcome and will add constructive challenge to the process.</p>	
	Name and position:	Graeme Clark, Strategic Director – Finance and Resources



	Date:	31/8/17
For completion by Executive Portfolio Holder		
24.	<p><b>Executive Portfolio Holder comments</b> As the executive lead for this portfolio area it is important for the task group to seek and understand your views so that recommendations can be taken on board where appropriate.</p> <p>Verbal agreement of scope – comments to follow.</p>	
	Name and position:	Cllr Ged Hall, Portfolio holder for Finance
	Date:	31/8/17

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