



# **Waverley Borough Council Scrutiny Review**

## **Capital Expenditure Process and Management Review Report**

## **Value for Money and Customer Services Overview & Scrutiny Committee**

**March 2018**

## Contents

Chair's foreword.....	1
1. Executive summary .....	2
Background .....	2
Key findings.....	2
2. Report.....	3
Background .....	3
Conduct of the review.....	3
3. Findings .....	5
Project initiation .....	5
Budget setting .....	8
Delivery .....	9
4. Improvements to the 2018/19 Capital Expenditure Programme .....	11
5. Recommendations .....	12
6. Acknowledgements .....	14
7. Officers to contact .....	14
Appendix 1 Capital Expenditure Process and Management review scope ....	15
Appendix 2 2016/17 Outturn reports .....	23
Appendix 3 Graphs showing outturn compared to budget, by service.....	33
Appendix 4 Initial stages of Capital Expenditure Programme .....	43
Appendix 5 2018/19 Project justification form .....	44
(EXEMPT) Appendix 6 Notes of working group meetings.....	46

## **Value for Money and Customer Services**

### **Overview and Scrutiny Committee**

#### **Working Members:**

Councillor Mike Band (Chair)

Councillor John Williamson

Councillor Richard Seaborne (Housing Overview and Scrutiny Committee Representative)

Councillor John Gray (Audit Committee Representative)

#### **Chair's foreword**

To follow.

## **1. Executive summary**

### **Background**

- 1.3 In light of significant slippage of capital expenditure observed in the budget expenditure reports for 2014-15, 2015-16 and 2016-17 by the Value for Money and Customer Services Overview and Scrutiny Committee (the Committee), it was agreed that a working group (the group) should be set up to review the process and management of the capital expenditure programme and identify improvements to the process to ensure value for money is being maximised.
- 1.4 The review addressed both General Fund and Housing Revenue Account (HRA) capital projects.
- 1.5 With the objective of understanding the cause of the slippage observed, the purpose of the review was to make recommendations which, if adopted, would contribute to more efficient use of approved capital funds.

### **Key findings**

- 1.6 The key findings listed from 1.5 – 1.11 are all addressed in further detail in the report.
- 1.7 The major responsibility for overseeing the justification of projects, including their budgets, was not formalised by an official process. This not only made a comprehensive view of all projects difficult but it also increased the risk relating to estimations and justification of funds.
- 1.8 Some budgets were prematurely approved, resulting in funds being reserved for projects, the viability of which had not been fully assessed, or initial foundation work had not been carried out. The inconsistent approach to business cases meant that not all projects benefitted from thorough feasibility considerations.
- 1.9 The lack of adequate officer resource was a recurring theme throughout the review. The demand on officer resource was not given sufficient consideration when planning projects, resulting in unrealistic expectations of officer capacity at the project planning stages.
- 1.10 Early on in the review the group learnt that as a result of the way funds for projects are budgeted and approved, what looks like slippage is often intentional re-scheduling of funds from one year to another. This commonly used way of rescheduling funds resulted in budget reports, which gave the impression of slippage even though funds were being used in an appropriate manner.
- 1.11 For some projects the underspend of budgets was not always reported in a timely manner due to the fact that unspent funds would be automatically re-scheduled into the next year. Although genuine savings on a budget were not to be rescheduled they were not always reported in time for the savings to be used to fund another project.
- 1.12 Despite the review's scope focusing on budget management, the group identified that variability in the effectiveness of project management was another recurring theme. The lack of a standard approach to the documentation for projects meant that methods of project management were inconsistent.

- 1.13 Ownership of projects was not always clear and appropriate, resulting in a reduction in the effectiveness of delivery of projects due to the fact that overall responsibility was ambiguous.

## **2. Report**

### **Background**

- 2.1 In considering capital budget expenditure reports from 2014-15, 2015-16 and 2016-17 the Value for Money and Customer Service Overview and Scrutiny Committee members observed significant slippage. Whilst the committee accepted there may be reasonable grounds for some slippage in relation to the size of the programme, the extent observed caused the Committee some concern. Further, the Committee believed that the lateness in identifying the slippage may be inhibiting the introduction of replacement items and making full use of the resource approved by Council.
- 2.2 The Committee agreed to set up a working group to review the process and management of the Council's capital expenditure programme. The scope of the review is attached in appendix 1.
- 2.3 The overall aims of the review were to:
- Understand the process and management of the capital expenditure programme as it currently stood;
  - Identify potential improvements for the programme's process and management with a view to, if appropriate, introducing replacement items when there is significant slippage.
- 2.4 To achieve this, the group scrutinised the following elements of the capital expenditure programme process:
- Identification and selection of capital expenditure items.
  - Commitment of funds on capital expenditure items.
  - Management of capital expenditure items.
  - Allocation and use of contingent funds.
  - Identification and reporting of slippage.
  - Identification and approval of substitute capital expenditure items.

### **Conduct of the review**

- 2.5 The group invited officers managing various projects from across the Council to attend the group meetings. The projects being reviewed were chosen from the 2016/17 capital expenditure outturn reports (attached in appendix 2) by the Chair of the group, in liaison with Heads of Service (HoS). A wide range of projects were chosen to ensure the most representative sample.
- 2.6 Factors taken into account when choosing the projects were:
- a) Size of project (budget/spend),
  - b) Length of project (seasonal/multi-year),

c) Nature of project (recurring/one off).

The projects chosen for review are listed in table 1 below:

	<b>Service</b>	<b>Project</b>	<b>Year</b>
General fund	Communities	Gostrey/Memorial Hall	2016/17
		Higher Level Stewardship (HLS) capital works	
		Frensham Common	
	Customer and Corporate Services	IT mobile working solutions	
		Housing Software Systems interface	
		Pump House business continuity arrangements	
		Manfield Park	
		Gostrey Meadow Pavilion	
	Housing Revenue Account (HRA)	Housing Operations	
Windows and doors			
Estate works			
Housing Development		Station Road	
		Wey Court	
		Binhams Lea	

**Table 1 Capital projects chosen for review**

- 2.7 The group met a total of five times and heard from officers from various services. Each meeting was dedicated to a particular service and the chosen projects that fell within that service area. The purpose of the first meeting was for the working group to understand the process of the capital expenditure programme from justification through to delivery as it was in 2016/17.
- 2.8 Officers were invited to present documents they used to help them manage the delivery of the chosen projects from 2016/17, in order for working group members to gain a better understanding of the process of project justification and project management.
- 2.9 The review was supported by the Accountancy Manager, who provided information to the group about the capital expenditure programme, outlining the process in the first meeting and answering more specific points in subsequent meetings.

- 2.10 Graphs (attached in appendix 3) showing outturn compared to budget by service areas by year, were produced to provide the working group with a contextual understanding of the scale of under/over spend. The graphs were a visual representation of the service outturn reports, grouped by area of spend. They were able, therefore, to highlight any trends or particular areas for improvement.
- 2.11 Notes of each meeting were taken by Democratic Services and were agreed as a correct record at the subsequent meeting of the Working Group. The notes are attached at (exempt) appendix 6.

## 2. Findings

### Project initiation

#### Independent oversight

- 2.3 The group reviewed the process for establishing the annual capital expenditure programme. This is described in appendix 4.
- 2.4 The issue of the limited amount of independent oversight and the need for it in terms of validation arrangements, estimation of budget figures and setting of project milestones was identified by the group.
- 2.5 The group expressed concern about the validation process of projects at this early stage. It was understood that Heads of Service were expected to validate their own project justification forms, with no independent oversight until seen by a Director. This placed significant reliance on HoS to provide accurate figures and on the Director to judge which projects should be included in the programme. For example, an initial budget of over half a million pounds had been approved for a project, only for over £700k to be added to the budget a year later.
- 2.6 It was the responsibility of HoS to ensure projects were brought in on budget and issues reconciled at an early stage.
- 2.7 For major projects an employer's agent would be procured to verify the figures and that support from the Procurement Officer would help ensure the figures are as accurate as possible.

#### **Recommendations:**

1. It is recommended that a greater level of **independent oversight and review of projects** in terms of validation arrangements, estimated figures and project milestones is introduced. A formal process on a rolling basis for supervision and review of projects would ensure they are subject to thorough oversight, possibly by Management Board.
2. It is recommended that a mechanism to reduce the **heavy reliance on HoS** to ensure projects are brought in on budget, and that resources are sufficient, is considered and introduced.

## **Ownership of projects and budgets**

- 2.8 Clarity on ownership of projects and budgets is vital to their success. Without a clear owner, projects are at risk of losing focus and therefore budgets are at risk of slipping.
- 2.9 One of the projects chosen for review was the development of the Orchard-Agresso interface. Due to the cross-service nature of the project it relied on several services for implementation. The group learnt that while the IT team had completed the technical element of the project, they had been waiting for confirmation from Finance and Housing before the system could go live.
- 2.10 The IT Manager referenced another cross-service project that involved Environmental Services. This project had run much more smoothly due to there being one project manager with overall responsibility. The group felt that cross-service projects with IT support belong in the capital expenditure programme of the service using the system, and should not be included in the IT capital expenditure programme. This would result in the user-service owning the project, and clearer project responsibilities being defined.
- 2.11 The group also felt that there needed to be an organisation-wide mechanism for managing interface projects that involve more than one service. This would improve project management as clear responsibilities would be assigned.
- 2.12 The group reviewed several projects relating to property. Members expressed the feeling that due to their nature, projects involving capital investment should be recorded differently from standard capital expenditure projects. The group suggested separating investment properties from other capital projects. It was noted that the remit of the Investment Advisory Board (IAB) is due to be reconsidered and the group suggested the remit should include consideration of capital expenditure on investment properties already owned in addition to the purchase of additional properties.

### **Recommendations:**

3. **The ownership of projects concerning property** needs to be clearly defined to ensure clear lines of responsibility.
4. **Cross-service projects need robust project management** arrangements to avoid fragmentation of ownership which can impact negatively on project delivery.
5. **Ownership of projects which are facilitated by supporting services**, such as IT, should sit within the initiating department.

## **Viability assessments and business cases**

- 2.13 Viability assessments and the generation of business cases can be important elements at the beginning of projects, depending on their nature.
- 2.14 The purpose of a business case is to explain the need for the project and set out its design and evaluation. Having robust business cases lessens the risks already identified regarding independent oversight and reliance on HoS.



- 2.15 Viability assessments are particularly important when there is significant budget assigned and there are a number of factors at play including external factors which could threaten the success of the project, for example projects involving the investment in, or use of, property.
- 2.16 There was not a corporate process by which business cases were reviewed alongside the budget bid and viability assessments were sometimes made after the full budget had been requested.
- 2.17 For example, in 2016/17 a project had been agreed, with a budget of £79k, only for the contract underpinning the project to be terminated shortly afterwards due to lack of confidence in the provider.
- 2.18 Further, the group noted the 'document management' project of 2016/17, for which the budget was agreed at £60k before a business case was prepared. After approval the viability of the project was evaluated and it was felt that this project was not viable resulting in its cancellation.
- 2.19 The group felt, particularly in relation to property projects, that some of the projects were speculative, with the budget being agreed before a thorough viability assessment was completed and business case produced. The group suggested that a fund be allocated specifically for feasibility studies on larger projects before the full budget is agreed.

**Recommendations:**

- 6. A need is identified for a **robust justification process**, bringing together a clear business case with sufficient detailed costings to ensure transparent decisions are made.
- 7. Where feasibility is less certain, **viability assessments and robust business cases** need to be prepared before bids are made for funds for larger projects. A fund for feasibility studies was suggested. This would include undertaking all preparatory work to fully understand the requirements of a project before budget is sought.

**Officer resource**

- 2.20 All projects, to varying extents, rely on officer time to be delivered. The level of officer resource can directly affect the number and progress of projects. Therefore officer resource is a key consideration when reviewing the process and management of capital expenditure projects.
- 2.21 Not all projects benefitted from project baselines. Project teams often relied on prioritisation of tasks to meet project deadlines and bringing in extra resources was not common practice at Waverley. Although there was a mechanism for requesting temporary resourcing support this is not a commonly used option.
- 2.22 Members expressed concern about the lack of provision for additional resources, particularly for major projects. The group felt that some project teams, such as the Memorial Hall team, were being stretched to achieve deadlines that were unrealistic with the current resource level. It was stressed by the group that there was an opportunity cost to projects not being fully resourced. Members emphasised that whilst officers were stretched working on one project there could potentially be other

projects that are not receiving appropriate attention. It was agreed that it might be more financially beneficial in the long term to fully resource projects by drafting in temporary support, rather than stretching officers and putting delivery of projects and day-to-day work at risk.

- 2.23 Difficulties in recruiting to some technical posts in Housing led to additional pressures on resources and in some cases directly impacted the delivery of some projects, for example the windows and doors programme of the 2016/17 HRA. The challenge of recruiting even agency staff is one experienced across a number of Council services and adds to the pressure on stretched officer resource more generally.

**Recommendations:**

8. **Officer resource needs to be properly measured and factored** when agreeing projects to ensure both delivery on projects and day-to-day work is covered. A time based resource plan including milestones would enable easier identification of a potential strain on resources.
9. A mechanism for **flagging significant pressure on resources** needs to be included in a time based resource plan. This could also be addressed through modification of the new budget-setting forms to include estimated resource requirements.

**Budget setting**

**Budget phasing**

- 2.24 Throughout the review Members emphasised that when Council approves budgets the expectation is that they will be spent in the time period agreed.
- 2.25 Because budgets could only be approved for a year at a time, project managers were hesitant to phase spending due to the perceived risk of not having the necessary funds later in the project. Therefore, despite the process allowing for phasing, budgets for entire projects were being scheduled and agreed for one year.
- 2.26 The Memorial Hall project, for example, scheduled over £1.5m in 2015/16 despite the expectation that significant spend wouldn't occur until 2017/18.
- 2.27 Members showed concern that the process did not reflect realistic expenditure for multi-year projects. The lack of provision for phased budgets to be agreed all at once meant that what officers saw as routine re-scheduling by slipping, Members perceived as a delay in the project. The group also expressed its disappointment in the transparency of this process and endorsed the changes made by the Finance team to allow for phased budgets, detailed further in section 4.

**Contingency**

- 2.26 The need for contingency budgets varies depending on the nature of the project. Some recurring projects with low risk do not require contingency budgets whilst bigger projects, with higher levels of risk, need a contingency provision.

- 2.27 Some of the projects, particularly the larger ones, had their own contingency budgets built into the agreed overall budget, for example the Memorial Hall project. Members asked if the contingency budgets are adjusted as the projects progress and the risk of unexpected costs decreases. It was recognised that projects tend to maintain sizeable contingency budgets. Savings might be found if contingency budgets are reassessed as the projects progress.
- 2.28 The possibility of a corporate projects contingency budget was raised for major projects rather than each individual project having its own separate budget.

**Recommendations:**

10. **Budgets for projects need to allow for phasing** over more than one financial year. In the past few years budgets have focused on one year only, which has resulted in ambitious timetabling due, in part, to uncertainty of funding being available in future years.
11. **Contingency budgets need to be explicitly or separately** secured to increase transparency of budgeting.
12. As part of the robust monitoring process of projects, **contingency budgets should be subject to review as the project progresses.**
13. **Consideration of a corporate contingency budget** should be made in order to avoid over-budgeting of funds.

**Delivery**

**Project management**

- 2.29 The group was told that project management abilities vary across the organisation and that steps were being taken to ensure there was a consistent approach. Officers told Members that work is being done to review and refresh project management documentation.
- 2.30 The review raised various concerns about project management practices relating to project ownership and documentation.
- 2.31 Members felt that the development of the Orchard-Agresso interface suffered from problems with project management. As mentioned in section 3.7 of this report, the interface project did not have a dedicated project owner with overall responsibility. This resulted in delays to the implementation of the interface despite the earlier completion of the project's technical elements. Members made the point that the money had been spent to complete the technical side of the project but the benefit to the service was not felt until later.
- 2.32 Members asked project managers about their use of baselines of original timescales and budget spending. There was an inconsistent approach to how baselines were used, with some created in Microsoft Project and others in Microsoft Excel. Reliance on these original plans also varied, as did the use of risk registers and action plans/logs. Members felt the issues around officer resource related to project management. If projects had a clear initial timescale with allocated resources and action plans then it would be easier to identify when projects were in need of

additional resource. Without these project documents officers are working to complete projects without yardsticks to measure success.

- 2.33 Depending on the size of the project there will be a project working group monitoring its progress. For the Memorial Hall this group met weekly with the attendance of the Head of Finance. The notes were shared with the relevant Portfolio Holder with the budget monitored by Finance.
- 2.34 As highlighted in section 3.3, Members expressed concern about the level of independent oversight of projects at their start. The group asked about independent oversight of the project during its lifetime and whether or not there was an independent 'gate-keeper' overseeing progress according to project milestones. The lack of the requirement for a document stating the business case and project baseline (with reference to resources and spending) raised concern with Members.
- 2.35 The group learnt that, understandably, the attention of project managers tended to be focused on projects with bigger budgets. The group emphasised that whilst it's important to deliver on major projects smaller projects can have a big impact on residents.

**Recommendations:**

14. A **standard approach to project management** should be developed and implemented across the Council. The standardisation of project documentation would result in more thorough overview of projects and make the assessment of project progress against initial plans and milestones easier. These documents would include risk registers and project baselines. The new approach should allow for flexibility to reflect a project's scale of spend and risk.
15. The **accounting system should be utilised as a tool for budget management** as opposed to merely reporting budget activity. This would result in financial information being in a form useful to both the accountancy team and project managers.

**Slippage/rescheduling**

- 2.36 As described in section 2.1, this capital expenditure process and management review originated from concern about the amount of slippage observed in budget spending reports.
- 2.37 Due to the way budgets were set (as highlighted in 3.25), slipping budgets was effectively a way of rescheduling funds. This meant that despite the figures showing significant sums being slipped, there was not necessarily any deviation from the original spending plan.
- 2.38 Whilst Members acknowledged the reason for the size of the slippage figures, they reiterated their frustration that when Council approves the capital expenditure programme it expects the money to be spent in the time period agreed. It was also suggested that other projects should be brought forward to make use of the slipped budget if the original project was unable to use the funds in that year.
- 2.39 Members questioned the slippage of £18,576 from 2016/17 into 2017/18 for the mobile working project. The IT Manager told the group that the reason for this

underspend, was because of the fall in the price of the devices and the lower than expected take-up of them. Members emphasised the importance of early reporting of underspend by project managers, reiterating the possibility other projects might be brought forward.

- 2.40 Whilst this may be possible for some projects, the IT Manager explained that because the mobile working project is demand led the funds would have to have been secure in case a service had a review and decided to go down the mobile working route.
- 2.41 The Orchard-Agresso interface project was also discussed in terms of slippage. Members felt that as issues became apparent officers should have realised the project wouldn't be fully implemented and that the budget allocated could have been released for another purpose.
- 2.42 The Pump House project was also reviewed. The group learnt that it was originally the contingency location for business continuity of the Burys. Part way through the project it was decided that the Memorial Hall would replace the Pump House as the contingency location.
- 2.43 For this project £40k was allocated in 16/17 and it was known by August 2016 that the work wouldn't be done due to the change of arrangements. The group expressed confusion as to why it was only decided in January 2017 that the budget would need to be carried forward. Whilst officers accepted the point being made about early reporting of slippage, Members were reminded that due to timescales leading up to Council meetings the report would have been drafted in November to come to January Council.
- 2.44 As the review progressed Members noted that it was the smaller projects that were the cause of most of the concern around slippage; the larger projects normally had more clear reasons for significant rescheduling.
- 2.45 The graphs produced (in appendix 3) to provide context to Members show that it is not unusual for underspends of around 20% to be made. Members reiterated their point that early reporting of these savings could mean alternative projects are brought forward.

**Recommendations:**

16. **Close monitoring of the timeliness of slippage reporting** should be exercised in coordination with the implementation of the new project justification forms. More timely reporting would allow greater flexibility in the capital programme with opportunities for alternative projects to be introduced.

**3. Improvements to the 2018/19 Capital Expenditure Programme**

- 3.3 Throughout the review Members were reassured by the changes that had been made to the budget setting process for the 2018/19 budget and beyond.
- 3.4 In answer to some of the concerns that had been recognised by officers prior to this review, a new project justification form had been prepared, see appendix 5. The new form now requires project managers to explicitly phase spend across the year by month. It is expected that this change will enable project managers and Finance to

recognise and report savings earlier, increasing the potential for alternative projects to be brought forward.

- 3.5 The new approach to budget setting allows for phasing of budgets across more than one year. This means multi-year projects can now securely phase their spend with the certainty of funding in future years. It is likely that this change will result in more accurate rescheduling figures in outturn reports.
- 3.6 Members noted that the new budget setting forms do not require officers to estimate resource levels at the same time as estimating funding. The addition of a line to estimate the monthly Full Time Equivalent (FTE) level required to deliver a capital project could help flag where officer resource is over-allocated.
- 3.7 Member suggested that the new budget setting forms are possibly over-detailed for projects running into a second and subsequent years. Estimating budgets by month rather than by quarter probably represents an unjustified level of detail and should be reviewed.

## 4. Recommendations

### Project Initiation

1. It is recommended that a greater level of **independent oversight and review of projects** in terms of validation arrangements, estimated figures and project milestones is introduced. A formal process on a rolling basis for supervision and review of projects would ensure they are subject to thorough oversight, possibly by Management Board.
2. It is recommended that a mechanism to reduce the **heavy reliance on HoS** to ensure projects are brought in on budget and that resources are sufficient is considered and introduced.
3. **The ownership of projects concerning property** needs to be clearly defined to ensure clear lines of responsibility.
4. **Cross-service projects need robust project management** arrangements to avoid fragmentation of ownership which can impact negatively on project delivery.
5. **Ownership of projects which are facilitated by supporting services**, such as IT, should sit within the initiating department.
6. A need is identified for a **robust justification process**, bringing together a clear business case with sufficient detailed costings to ensure transparent decisions are made.
7. Where feasibility is less certain **viability assessments and robust business cases** need to be prepared before bids are made for funds for larger projects. A fund for feasibility studies was suggested. This would include undertaking all preparatory work to fully understand the requirements of a project before budget is sought.

8. **Officer resource needs to be properly measured and factored** when agreeing projects to ensure both delivery on projects and day-to-day work is covered. A time based resource plan including milestones would enable easier identification of a potential strain on resources.
9. A mechanism for **flagging significant pressure on resources** needs to be included in a time based resource plan. This could also be addressed through modification of the new budget-setting forms to include estimated resource requirements.

### **Budget Management**

10. **Budgets for projects need to allow for phasing** over more than one financial year. In the past few years budgets have focused on one year only, which has resulted in ambitious timetabling due, in part, to uncertainty of funding being available in future years.
11. **Contingency budgets need to be explicitly or separately** secured to increase transparency of budgeting.
12. As part of the robust monitoring process of projects, **contingency budgets should be subject to review as the project progresses.**
13. **Consideration of a corporate contingency budget** should be made in order to avoid over-budgeting of funds.

### **Project Management**

14. A **standard approach to project management** should be developed and implemented across the Council. The standardisation of project documentation would result in more thorough overview of projects and make the assessment of project progress against initial plans and milestones easier. These documents would include risk registers and project baselines. The new approach should allow for flexibility to reflect a project's scale of spend and risk.
15. The **accounting system should be utilised as a tool for budget management** as opposed to merely reporting budget activity. This would result in financial information being in a form useful to both the accountancy team and project managers.
16. **Close monitoring of the timeliness of slippage reporting** should be exercised in coordination with the implementation of the new project justification forms. More timely reporting would allow greater flexibility in the capital programme with opportunities for alternative projects to be introduced.

### **General**

17. After one year of the review's initiation graphs equivalent to those in appendix 3 should be produced in order to **monitor progress of the improvements** made to the capital expenditure programme.

18. The new process of **phasing budgets across several years should be presented** in budget papers for both the general fund and the HRA.
19. A clear **link between budgets and service plans** should be drawn in papers presented to members.

## **5. Acknowledgements**

To follow.

## **6. Officers to contact**

Yasmine Makin  
Graduate Management Trainee  
01483 523078



# **Waverley Borough Council**

## **Scrutiny Review**

Capital Expenditure Process and  
Management Review Scoping Document

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 frequently 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:	Cllr John Williamson Cllr Mike Band Cllr Richard Seaborne
5.	Scrutiny Policy Officer:	Yasmine Makin

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> <p>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.</p>

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?  
And what is the current protocol for CAPEX items that have a significant amount of slippage?
- Why do services not report slippages sooner?
- Does the current CAPEX bidding process lend itself to producing capital slippages?  
And if so, why?
- How imbedded are project plans in the bidding process?
- How does the current bidding process measure relevance, timeliness and deliverability of proposed CAPEX items?
- Does the current justification process explicitly describe the resources needed to deliver the project?

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> Capital expenditure projects for:</p> <ul style="list-style-type: none"> <li>• The General Fund Account (GF)</li> <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</p>

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

	<p>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>Council Budget</li> <li>The Capital Programme (General Fund &amp; HRA)</li> <li>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>
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Council services expected to contribute		
	Council Service	Reason / Intention for evidence
12.	Finance: Accountancy	Understanding of process.
13.	Communities	Experience of process.
14.	Environmental Services	Experience of process.

External Witnesses to be invited / submit evidence		
	Organisation	Reason / Intention for evidence
15.	Portfolio holder (Ged Hall)	Experience of process.
16.		
17.		
19.		

20.	<p><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?</p>
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Timescale	
Proposed start date:	November 2017
Proposed finish date:	January 2018
Task and finish group plan	
How many task and finish group meetings are anticipated to support this review? Fill in and strike through as appropriate.	2
<p><b>Task group theme (1): Process and monitoring.</b></p> <p><b>Aim: Understand the process and why slippage occurs.</b></p> <p><b>Witnesses: Kelvin Mills/Matt Lank, Richard Homewood, Cllr Ged Hall.</b></p>	
<p><b>Task group theme (2): Recommendations.</b></p> <p><b>Aim: Form any necessary recommendations to the Executive.</b></p> <p><b>Witnesses: N/A</b></p>	
21.	<p><b>Scrutiny resources:</b> In-depth scrutiny reviews are facilitated and supported by the Scrutiny Policy Officer.</p> <p>Yasmine Makin, Graduate Management Trainee (research and policy support to task group with the responsibility to compile information and write the final report).</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

<b>23.</b>		<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

<b>24.</b>		<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



## Appendix 2

### 2016/17 Outturn report

Cost Code	Project Title	Opening Budget	Approved Slippage 15-16 (June 16)	Approved Slippage 15-16	Other Movements in year	Rescheduled to 17/18				Approved Budget	Outturn	Actual Savings/ (Overspend)
						01/11/2016	10/01/2017	07/03/2017	Outturn - 11/7/17			
	Exec meeting											
<b>Customer &amp; Corporate Services</b>												
<b>Central Offices</b>												
K1024	Vending Machines/burys chamber lobby ceiling	3,000							0	3,000	5,197	-2,197
K1001	Central Offices Maintenance Programme 2016/2017	90,000	13,396		3,400					106,796	112,629	-5,833
<b>Properties</b>												
K1510	Miscellaneous Properties								0	0	400	-400
K1260	Ramsnest Flood Alleviation	18,000							-9,000	9,000	1,555	7,445
K1391	Farnham Museum works	92,000					-92,000		0	0	0	0
K1263	Inspection of culverted land								0	0	130	-130
	Manfield Park industrial Units, Cranleigh				917,340		-900,000			17,340	0	17,340
	Holloway Hill				8,000				0	8,000	7,740	260
<b>IT</b>												
K0269	Orchard Development	40,000							-22,091	17,909	17,909	0
K0286	Replacement of Property Terrier Database System	40,000							-40,000	0	0	0
K0003	Desktop and Server upgrade	20,000							0	20,000	17,749	2,251
K0216	Mobile working solutions	35,000	14,748						-18,576	31,172	31,172	-0
K0254	Network upgrade and flexible working	10,000							-3,776	6,224	6,224	0
K0285	Mobile Phone Procurement	30,000							0	30,000	19,550	10,450
K0260	Agresso Experience Packs	20,000	17,858						0	37,858	41,232	-3,374
K1287	Pump House Business Continuity Arrangements	40,000						-40,000	0	0		0
K0102	Car Park ECN Software/Hardware	0							0	0	4,500	-4,500
K0001	Forward programme and legislative change	10,000			26,411				0	36,411	36,711	-300
K0283	Keystone	16,000	8,207						-11,615	12,592	12,593	-1
K0244	Document Management	60,000							0	60,000		60,000

Cost Code	Project Title	Opening Budget	Approved Slippage 15-16 (June 16)	Approved Slippage 15-16	Other Movements in year	Rescheduled to 17/18				Approved Budget	Outturn	Actual Savings/ (Overspend)
K0238	Call Management - contact centre technology		20,000					-20,000	0	0		0
K0244	Records Scanning		32,299						0	32,299	28,537	3,762
K0248	Employee Services Scanning project		25,000						0	25,000	0	25,000
K0274	Sheltered Housing Wi-Fi		4,880						0	4,880	0	4,880
K0282	Orchard/Agresso Interface		15,000				-12,300		-1,460	1,240	1,240	0
K1020	Sound Insulation		17,820						0	0		0
K1025	Health & Safety								0	17,820	7,592	10,228
K0225	Aerial Photography refresh			8,000					0	8,000	2,137	5,863
K0007	Shared Services Infrastructure		5,282						0	5,282	3,010	2,272
K0009	Replace Core Switch		9,468						0	9,468	6,133	3,335
K0273	Iken		8,750						0	8,750	14,144	-5,394
K0280	PSN								0	0	3,696	-3,696
K0247	Scanning planning files								0	0	-3,091	3,091
K0206	e-receipts								0	0	-168	168
K0278	E-tendering								0	0	1,814	-1,814
K1378	Frensham Pond Dam Resilience	25,000	3,235						-5,000	23,235	11,636	11,599
K1266	Lammas Lands flood relief channel	5,000								5,000	500	4,500
K1358	Carry out external decorating repairs to the new Ashgate Gallery	20,000							0	20,000	26,491	-6,491
K1360	Gostrey Meadow Pavilion	80,000					-80,000		0	0		0
K1115	Farncombe Day Centre	12,800							-12,480	320	320	-0
K1270	Bus Shelter Replacement Programme					10,000			0	10,000	10,957	-957
	Waverley Training Services - IT upgrade								0	0	0	0
	Web Recording Equipment					75,000			-75,000	0	0	0
	<b>Total Customer and Office Services</b>	<b>£666,800</b>	£195,943	£8,000	£1,040,151	<b>-£1,072,000</b>	<b>-£52,300</b>	<b>-£60,000</b>	<b>-£158,998</b>	<b>£567,596</b>	<b>£430,236</b>	<b>£137,360</b>

Cost Code	Project Title	Opening Budget	Approved Slippage 15-16 (June 16)	Approved Slippage 15-16	Other Movements in year	Rescheduled to 17/18	Approved Budget	Outturn	Actual Savings/ (Overspend)	
<b>Community Services</b>										
K1110	Careline and Telecare equipment - 2016/17	30,000					0	30,000	0	30,000
K1111	Day Centres				20,000		-11,287	8,713	8,713	0
K1514	Development Consultancy	40,000			70,200			110,200	120,187	-9,987
	<b>Leisure Centres</b>							0		0
K1310	Farnham Leisure Centre re-roofing		100,850				0	100,850	104,754	-3,904
K1301	Client Rolling Programme - Cranleigh, Farnham, Godalming and The Edge leisure centres	100,000						100,000	14,166	85,834
K1319	Client Rolling Programme - Contingency	25,000						25,000	10,063	14,937
K1320	Haslemere Leisure Centre	60,000						60,000	32,588	27,412
K1311	Godalming Leisure Centre Improvements			50,000			-38,077	11,923	11,923	0
K1460	Godalming LC equipment		1,708		-1,708		0	0		0
K1460	Farnham LC equipment		3,917		-3,917		0	0		0
K1460	Cranleigh Leisure Centre Equipment		3,761		-3,761		0	0		0
K1460	Haslemere Leisure Centre		3,450				-3,450	0		0
K1460	Farnham LC - Changing Village upgrade (PIC)				18,500		0	18,500	18,225	275
K1460	Cranleigh LC - Virtual indoor cycling (PIC)				14,500		0	14,500	14,500	0
	<b>Countryside</b>						0	0		0
K1379	Frensham Common - Site Facilities Re - development project	800,000	48,562			-780,000	-58,585	9,977	9,977	0
K1346	Pro Active Woodland Management Works	35,000			20,000		0	55,000	29,606	25,394
K1264	Ditch Renovation Programme	70,000					-17,405	52,595	52,595	0
K1383	Pond Restorations	14,000			8,000		0	22,000	20,113	1,887
K1209	Weydon Lane landfill site	8,000					-8,000	0	0	0
K1377	HLS/Capital Works 2016/17	139,200	27,901				-22,488	144,613	144,613	-0
	<b>Recreation</b>						0	0		0

Cost Code	Project Title	Opening Budget	Approved Slippage 15-16 (June 16)	Approved Slippage 15-16	Other Movements in year	Rescheduled to 17/18			Approved Budget	Outturn	Actual Savings/ (Overspend)	
K1406	Broadwater Park Improvement Project	130,000			-76,000			0	54,000	53,385	615	
K1355	Greenspace Infrastructure & DDA Improvements	53,170						-18,705	34,465	34,465	0	
K1354	Phillips Memorial Park Improvement Project	11,150	152,141					0	163,291	100,592	62,699	
K1345	Playground Refurbishments	75,230			25,000			0	100,230	98,031	2,199	
K1343	Pavilions - Improving energy efficiency and condition	20,000						0	20,000	23,487	-3,487	
K1349	Parks Signage	20,000	3,600						23,600	14,335	9,265	
K1520	Gostrey /Memorial Hall Day Centre		176,519	2,000,000	700,000			-2,168,609	707,910	707,910	-0	
K1357	Badshot Lea Football Club		75,000	50,000				-105,000	20,000	20,000	0	
K1120	Waverley Training			40,000	11,000			-40,000	0	11,000	9,028	1,972
K1458	S106 Grants to External Organisations				7,907			0	7,907	7,907	0	
K1265	Alderbrook Stream remedial works							0	0	-4,582	4,582	
K1450	Farnham Park SPA (S106 funded)				4,820			0	4,820	4,820	0	
K1511	Riverside		7,356					-6,198	1,158	1,158	0	
K1223	Public Toilet refurb							0	0	29	-29	
K1359	Hérons Skate park							0	0	-1,000	1,000	
K1459	Improvement of Sports Facilities at Rodborough School (PIC)				8,003			0	8,003	8,003	0	
K1459	Car Park re-surfacing scheme at Hollowdene Rec Ground, Farnham				1,960			0	1,960	1,960	0	
K1459	Haslemere Rugby Club - Pitch Drainage (PIC)				24,000			0	24,000	24,250	-250	
K1397	Cultural Strategy							0	0	490	-490	
K1395	Cranleigh Arts Centre				9,950			0	9,950	9,950	0	
K1236	CCTV at Weyhill bring-bank				7,500			0	7,500	7,228	272	
K1458	Bramley Village Hall Kitchen Improvements (PIC)				1,080			0	1,080	1,080	1	
K1384	Farnham Town FC Infrastructure Improvements				15,000			0	15,000	15,000	0	

Cost Code	Project Title	Opening Budget	Approved Slippage 15-16 (June 16)	Approved Slippage 15-16	Other Movements in year	Rescheduled to 17/18			Approved Budget	Outturn	Actual Savings/ (Overspend)	
K1322	Leisure Strategy				25,000			-11,860	13,140	13,140	0	
K1458	Peper Harow cricket pavilion				4,250			0	4,250	4,250	0	
K1458	Alfold Pavilion				12,949			0	12,949	12,949	0	
K1458	Thursley Rec Ground				8,000			0	8,000	8,000	0	
K1458	Boundary Road Residents Assocation - Access at Grayshott Surgery				5,000			0	5,000	5,000	0	
K1458	Farncombe Day Centre - Kitchen				20,000			0	20,000	20,000	0	
K1458	Woolmer Hill Running Track				3,300			0	3,300	3,300	0	
K1521	Brightwells Judicial Review				42,164			0	42,164	42,164	0	
K1522	Purchase of Enterprise Centre				2,500,000			0	2,500,000	2,567,217	-67,217	
K1518	Purchase of Marlborough Head				1,080,000			0	1,080,000	1,080,000	0	
K1457	Shamley Green Parking Scheme				15,000			0	15,000	8,450	6,550	
K1458	Burford Lodge				3,530			0	3,530	3,530	0	
K1460	Godalming Leisure Centre Bike Shelter				2,522			0	2,522	2,522	0	
K1458	Thursley Road pitch improvements				695			0	695	695	0	
K1458	Milford Clockhouse lighting project				500			0	500	500	0	
K1458	Bench at Shepherds Way, Tilford				358			0	358	358	0	
	<b>Total Community Services</b>	<b>£1,630,750</b>	£604,765	£2,140,000	£4,605,302	-780,000	-40,000	0	-2,469,664	£5,691,153	£5,501,624	£189,529
	<b>Environmental Services</b>											
K1201	Contaminated Land	30,000							30,000	0	30,000	
K1254	High Street Car Park	118,000	8,189	70,000	-70,000				126,189	122,923	3,266	
K1206	Air Quality	2,500							2,500	0	2,500	
K1204	Noise Recording Equipment	5,000							5,000	600	4,400	
K1230	Green Recycling Containers	25,000			68,505				93,505	65,134	28,371	

Cost Code	Project Title	Opening Budget	Approved Slippage 15-16 (June 16)	Approved Slippage 15-16	Other Movements in year	Rescheduled to 17/18				Approved Budget	Outturn	Actual Savings/ (Overspend)
K1240	Car Parks - Rolling Programme	102,500			120,000					222,500	162,621	59,879
K1314	Cranleigh LC CHP unit		111,000		67,000				-25,000	153,000		153,000
K1220	Installation of a electricity meter		5,000		-5,000					0		0
K1021	Office Lighting Replacement - LED at central office		62,000		-62,000					0		0
K1209	Weydon Lane Landfill feasibility				50,000					50,000	4,000	46,000
	<b>Total Environmental Services</b>	<b>£283,000</b>	£186,189	£70,000	£168,505	0	0	0	-25,000	<b>£682,694</b>	<b>£355,278</b>	<b>£327,416</b>
	<b>Other Services</b>											
K1205	Warm Home Project (Safe and Warm Grants)	20,000			12,225					32,225	32,225	-0
K1101	Disabled Facilities Grant (DFG)	350,000							-119,504	230,496	230,496	0
K0284	Media Monitoring		2,340							2,340		2,340
	The Marlborough Head				14,000					14,000	12,715	1,285
	The Redgrave Theatre				5,000					5,000	8,977	-3,977
K1457	Robert Dyas Yard				4,500					4,500	5,000	-500
K1457	Uplighting of Tree and planters @ Haslemere				7,000					7,000	7,009	-9
K1457	New bollards and public bench at church street				2,973					2,973	2,973	0
	Provision for Urgent Schemes	150,000			-139,500				-10,500	0		0
	<b>Total Other Services</b>	<b>£520,000</b>	£2,340	£0	<b>-£93,802</b>	0	0	0	<b>-130,004</b>	<b>£298,534</b>	<b>£299,395</b>	<b>-£861</b>
	<b>Use of savings for other capital schemes</b>											<b>-£70,172</b>
	<b>Total</b>	<b>3,100,550</b>	989,237	2,218,000	5,720,156	1,852,000	-92,300	-60,000	-2,783,666	<b>7,239,977</b>	<b>6,586,532</b>	<b>583,272</b>
	Revenue	500,000	16,996	0	262,105	0	0	0	0	779,101	532,322	246,779
	Capital	2,600,550	972,241	2,218,000	5,458,051	1,852,000	-92,300	-60,000	-2,783,666	6,460,876	6,054,210	406,665
	<b>TOTAL</b>	<b>3,100,550</b>	989,237	2,218,000	5,720,156	1,852,000	-92,300	-60,000	-2,783,666	<b>7,239,977</b>	<b>6,586,532</b>	<b>653,444</b>

Cost Code	Project	Opening Budget 2016/17	Total Spend	Reschedule	Saving / (Overspend)
<b>New Affordable Homes Projects</b>					
K5412	Pre-development costs for 2016/17	83,500	31,625		51,875
K5422/3	Starter Homes - grant funded		20,570	79,849	
<b>COMMITTED DEVELOPMENT SCHEMES</b>					
K5407	Ockford Ridge - sundry			1,418,275	
K5407	Ockford Ridge - Show homes	1,912,000	607,058		
K5425	Ockford Ridge - Site A				
K5428	Ockford Ridge - Site D				
K5411	Wey Court, Godalming	1,573,330	19,498	734,707	
K5418	Weyhill, Haslemere	700,000	0		
K5420	Binhams Lea, Dunsfold	345,000	0		356,089
K5414	Middlefield, Farnham	862,500	383,819	262,698	
K5416	Bridge Road, Haslemere	535,900	269,514	222,386	
K5415	Nursery Hill, Shamley Green	1,113,100	88,650	27,597	
K5405	Station Road		381,475	44,744	
K5406/8/9	Farncombe Sites		5,996		162,784
K5410/3	Ladymead & Hullmead		25,379	46,812	
K5417	Land adj 75 Sherrydon		7,535	65,845	
<b>TOTAL</b>		<b>7,041,830</b>	<b>1,788,924</b>	<b>2,823,064</b>	<b>518,873</b>
<b>OTHER SCHEMES IDENTIFIED BUT NOT APPROVED*</b>					
	Chilton Close, Alfold	345,000	0		
	Shepherds Way, Tilford	0	0		
K5426	Ockford Ridge - Site B		37,602	60,398	
K5427	Ockford Ridge - Site C		17,496	80,504	
<b>TOTAL</b>		<b>345,000</b>	<b>55,098</b>	<b>140,902</b>	<b>0</b>
<b>LAND AND ASSET PURCHASE</b>					
K5000	Buy Backs	600,000	595,565	406,500	(91,378)
K5000	Ockford Ridge Buy Backs		271,253		
<b>Total</b>		<b>600,000</b>	<b>866,818</b>	<b>406,500</b>	<b>-91,378</b>
<b>Total New Affordable Homes Projects</b>		<b>15,857,160</b>	<b>4,849,994</b>	<b>6,414,281</b>	<b>1,155,306</b>

<b>Stock Remodelling</b>					
<b>COMMITTED DEVELOPMENT SCHEMES</b>					
K5007	Rolston House		43,436		(11,168)
	Conversion of Blundon Court Guest Room		0		5,000

Cost Code	Project	Opening Budget 2016/17	Total Spend	Reschedule	Saving / (Overspend)
K5009/10	Conversion of former staff accommodation		5,498	14,502	
K5015	Former Police Houses		258,719	6,881	
	Ockford Ridge Refurbishment - pilot	448,200	292,832	155,368	
K5016	Ockford Ridge Refurbishment - Phase 1	785,220	34,381	750,839	
K5017	Ockford Ridge Refurbishment - Phase 2 - external works	884,070	11,142	72,928	
	Ockford Ridge Refurbishment - Phase 3				
	Ockford Ridge Refurbishment - Future phases	508,510		682,569	
<b>TOTAL</b>		<b>2,626,000</b>	<b>646,008</b>	<b>1,683,087</b>	<b>-6,168</b>
<b>OTHER SCHEMES IDENTIFIED BUT NOT APPROVED*</b>					
K5011	Community Rooms, Borough Wide	590,000	25,346	613,034	
K5012	Cranleigh Day Centre	312,000	2,934		259,066
K5013	8 Elmbridge Cottages *	318,500	-500		319,000
	Refurbishment of Pre-War properties		0		100,000
<b>TOTAL</b>		<b>1,220,500</b>	<b>27,780</b>	<b>613,034</b>	<b>678,066</b>
<b>Total Stock Remodelling</b>		<b>6,472,500</b>	<b>1,319,795</b>	<b>3,979,208</b>	<b>665,730</b>

#### HRA Core capital programme

Cost Code	Project	Opening Budget	Approved Budget	Outturn 2016/17	Reported Savings/ (overspend)	Actual Savings / (Overspend)
	<b>1. Kitchen and Bathrooms</b>					
K6110	Bathroom Installations 2016	827,587	827,587	850,916	390,000	-23,329
K6110	Kitchen Installations 2016	1,621,303	1,368,303	1,699,988		-331,685
K6111	Void Bathroom Installation 2016	200,974	200,974	59,937		141,037
K6111	Void Kitchen Installations 2016	429,371	429,371	147,977		281,394
K6110	Office Overheads and Profit Bathrooms	130,013	130,013	132,458		-2,445
K6111	Office Overheads and Profit Void Bathrooms	65,026	65,026	20,865		44,161
K6110	Office Overheads and Profit Kitchens	203,697	203,697	248,360		-44,663
K6111	Office Overheads and Profit Void Kitchens	101,879	101,879	24,908		76,972
	<b>2. Windows and Doors</b>					
K6100	Hillcroft, Haslemere, replacement window and associated works	130,000	60,000	339	59,661	59,661
K6110	Windows and Door installations	492,000	222,000	19,119		202,881
	<b>3. Roofing and Associated Work</b>					
K6100	Porches Canopies and Window Head Refurbishment	200,000	100,000	0	100,000	100,000



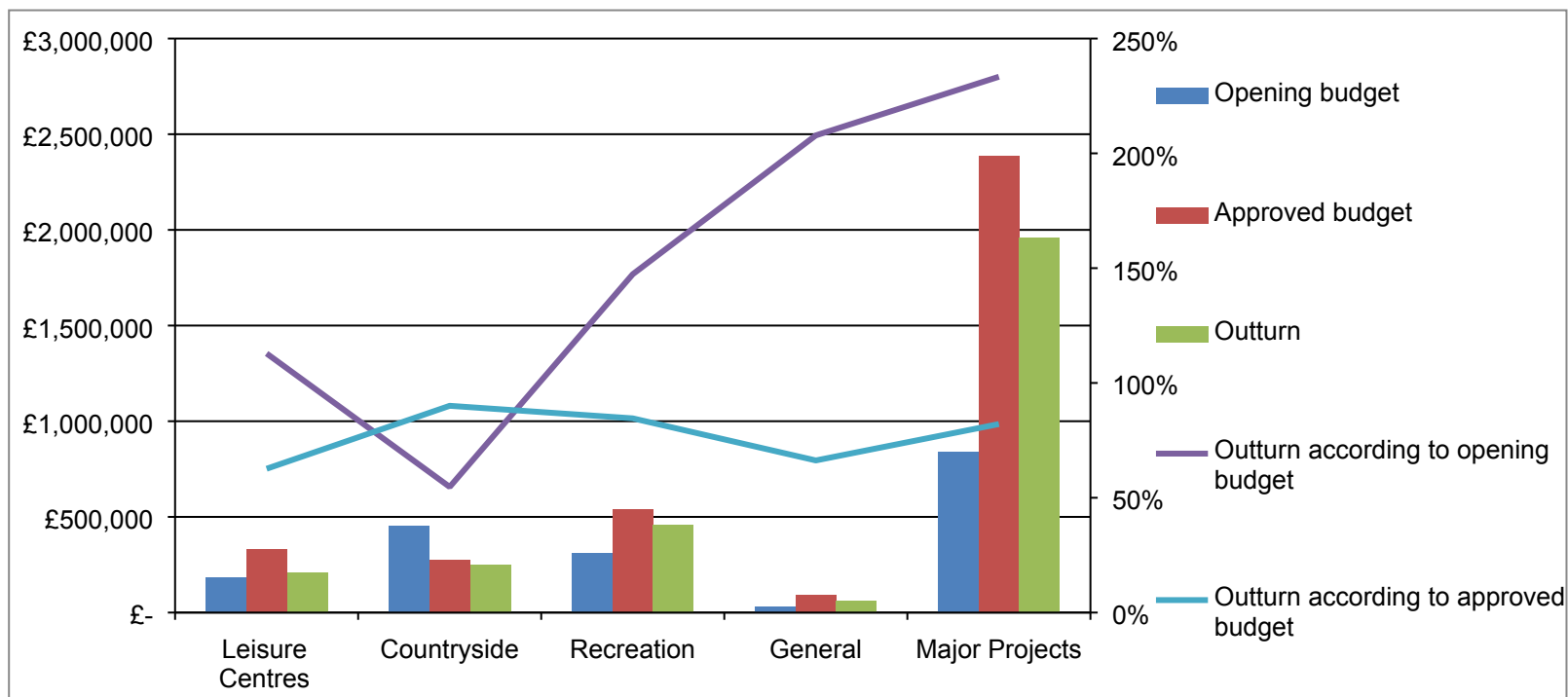
K6100	Renovation of drainage Wey Court 2016	47,000	47,000	27,719		19,281
K6110	Roof Covering 2016	600,000	526,880	439,911	70,000	86,969
K6100	Roofline and Surface Water Renovation 2016	400,000	350,000	37,277	250,000	312,723
	<b>4. Aids and Adaptations</b>					
K6310	Aids and Adaptions 2016	200,000	200,000	204,268	-4,268	-4,268
	<b>5. Structural and Damp work</b>					
K6100	Energy Initiatives 2016	50,000	50,000	38,745		11,255
K6110	External Wall finish, Chimney rebuilding and finish 2016	150,000	150,000	78,421	50,000	71,579
K6100	Garage Repairs Programme 2016	50,000	80,000	67,616		12,384
K6100	Sewerage Plant - Rodborough Hill Cottages and 5 and 6 Woodland Cottages		0	0		0
K6100	Sound Insulation 2016	25,000	25,000	3,638	21,362	21,362
K6100	Structural Works 2016	350,000	304,000	447,523		-143,523
K6100	Timber Cladding Replacement - Badgers Close, Redwing Avenue, Farncombe	80,000	10,000	7,000		3,000
	<b>6. Health and Safety</b>					
K6100	Asbestos Removal 2016	240,000	200,000	220,108		-20,108
K6100	Fire Risk Assessment Remedials Work Phase II	35,500	145,500	276,737		-131,237
K6100	Fire Walls		0	0		0
	<b>7. Building Services</b>					
K6100	Communal Gas Heating Replacement 2016	281,000	220,000	365,612		-145,612
K6110	Domestic Heating Upgrades 2016	953,060	708,860	526,449		182,411
K6110	Electrical Upgrade 2016	443,700	499,483	529,615		-30,132
K6110	Rewiring		1	0		1
K6100	Lift Refurbishment 2016	178,200	198,200	197,891		309
	<b>8. Communal and Estate Work</b>					
K6100	Car Parking - scheme improvements	70,000	32,600	31,648		952
K6100	Estate Works 2016	20,000	20,000	0	20,000	20,000
K6100	Flat Block Communal Area upgrade 2016	100,000	50,000	25,197		24,803
K6100	Community Rooms upgrade	64,000	62,500	28,445	34,140	34,055

K6100	Trees	20,000	20,000	21,710	-1,779	-1,710
	<b>9. Professional Fees</b>					
K6100	Hindhead House, Haslemere - Refurbishment	5,000	5,000	0		5,000
K6100	Professional Fees	50,000	30,000	30,583	-583	-583
K6100	Renovation of Pre 1945 Council Dwellings		105,000	58,375	46,625	46,625
K6100	St James Court - survey	5,000	5,000	0		5,000
K6310	Other professional fees		0	5,785	-5,785	-5,785
						0
	Target Savings	-200,000	-200,000	0	-200,000	-200,000
	Staffing Allocations			596,566	-596,566	-596,566
	<b>Total Expenditure</b>	<b>8,619,310</b>	<b>7,553,874</b>	<b>7,471,707</b>	<b>232,807</b>	<b>82,167</b>
K6*	Accruals		0	-120,981		120,981
	<b>Total</b>	<b>8,619,310</b>	<b>7,553,874</b>	<b>7,350,726</b>	<b>232,807</b>	<b>203,148</b>

## Appendix 3

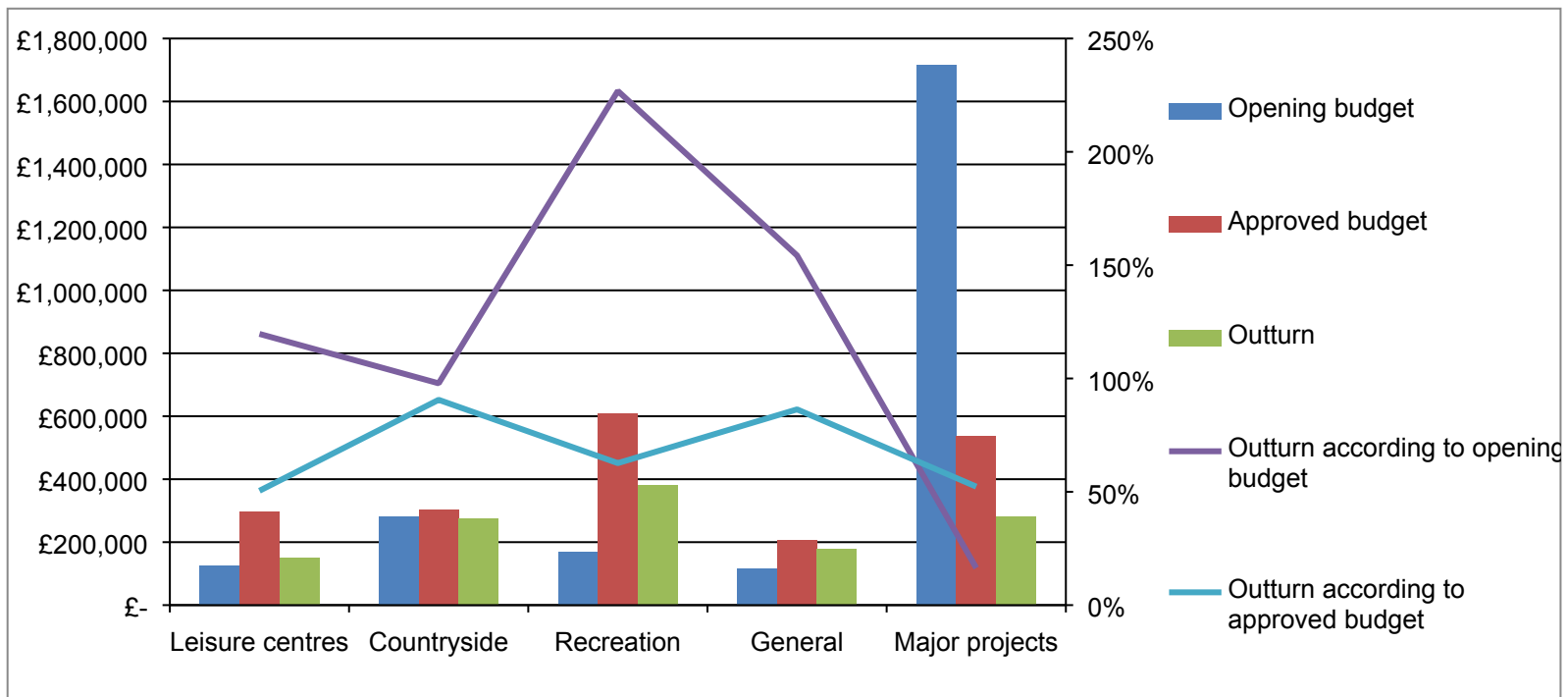
Communities Capital Expenditure Outturn 2016-17

	Opening budget		Approved budget		Outturn		Outturn according to opening budget	Outturn according to approved budget
<b>Leisure Centres</b>	£	185,000	£	333,295	£	208,741	113%	63%
<b>Countryside</b>	£	451,200	£	274,208	£	246,927	55%	90%
<b>Recreation</b>	£	309,550	£	539,298	£	456,154	147%	85%
<b>General</b>	£	30,000	£	94,101	£	62,346	208%	66%
<b>Major Projects</b>	£	840,000	£	2,387,703	£	1,960,238	233%	82%



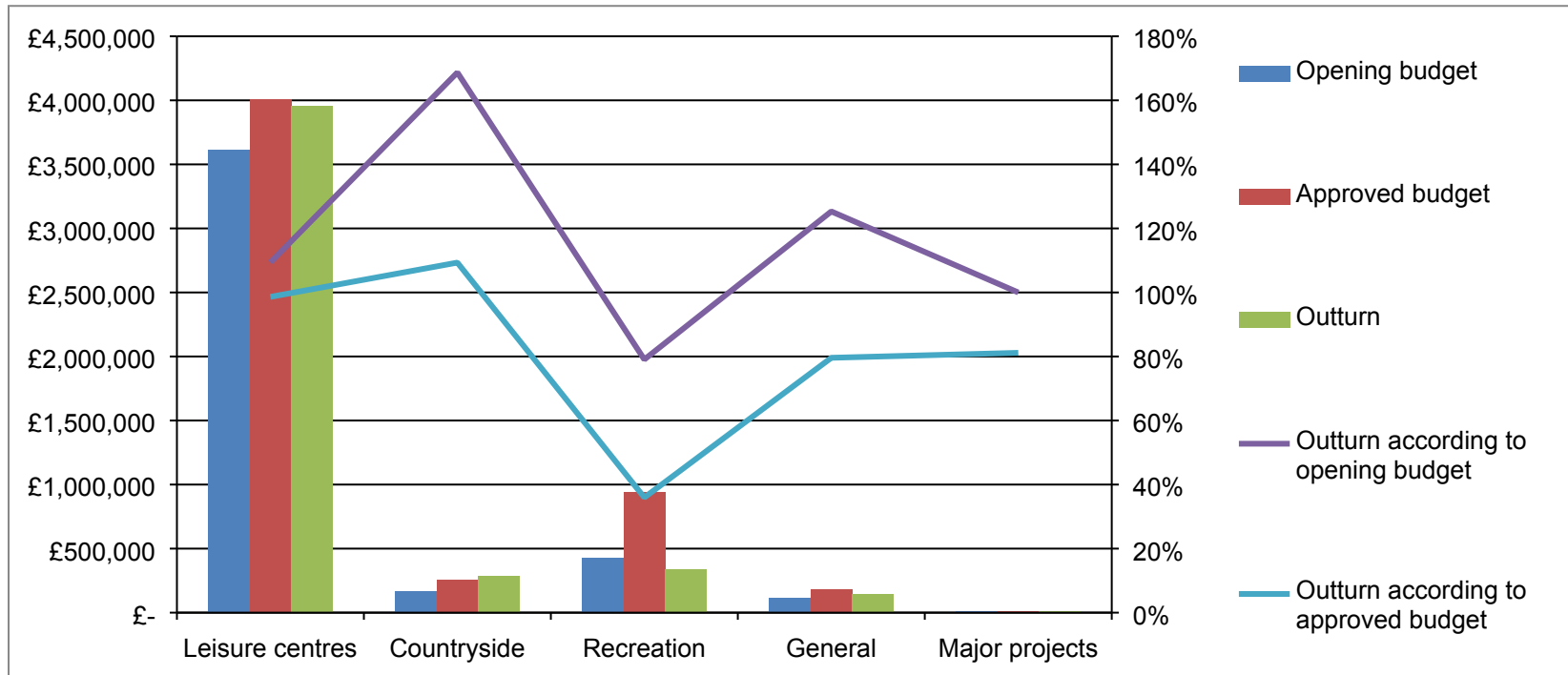
**Communities Capital Expenditure Outturn 2015-16**

	Opening budget		Approved budget		Outturn		Outturn according to opening budget	Outturn according to approved budget
<b>Leisure centres</b>	£	125,000	£	296,466	£	149,577	120%	50%
<b>Countryside</b>	£	282,060	£	304,712	£	276,018	98%	91%
<b>Recreation</b>	£	167,860	£	607,805	£	380,789	227%	63%
<b>General</b>	£	116,075	£	207,341	£	179,061	154%	86%
<b>Major projects</b>	£	1,715,000	£	536,823	£	280,689	16%	52%



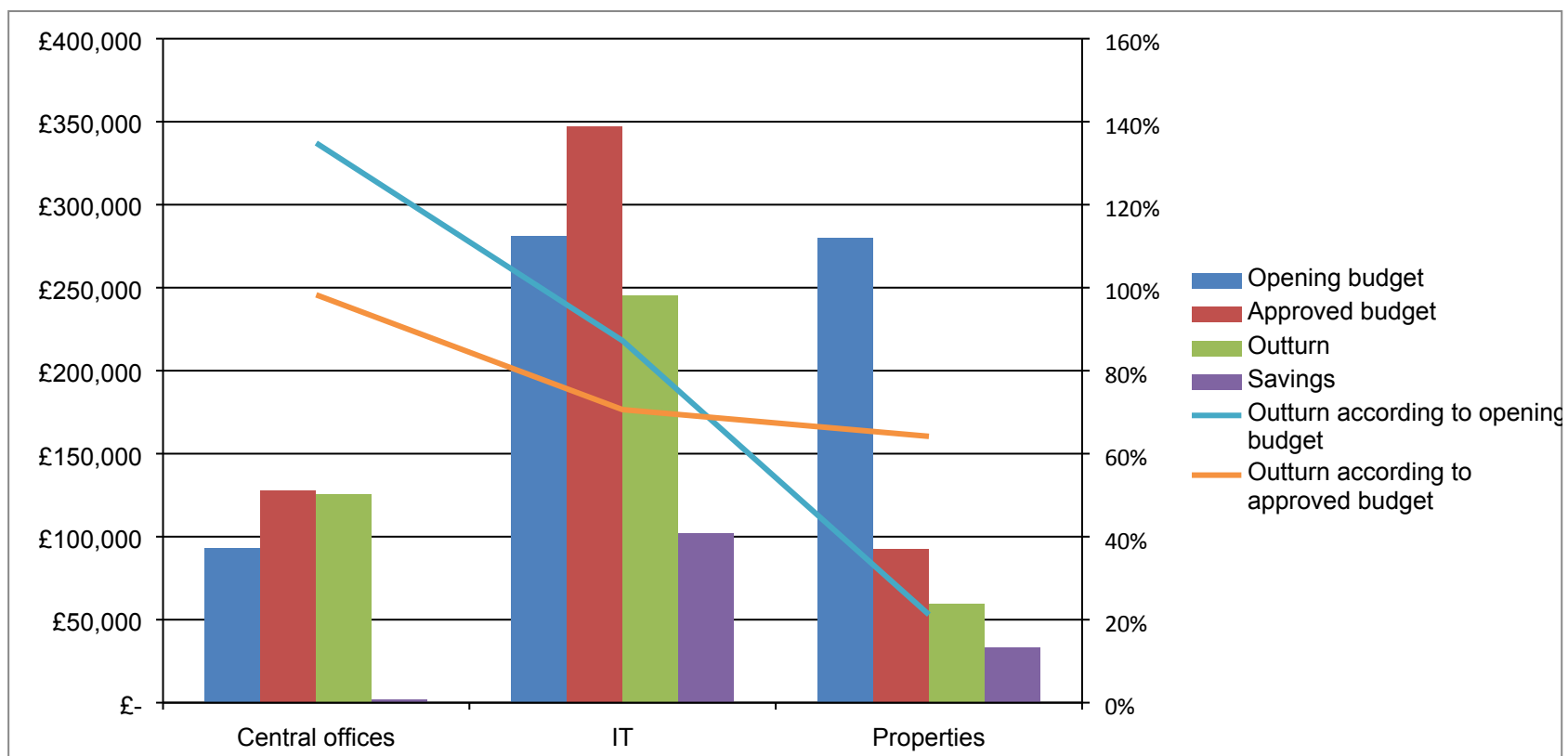
**Communities Capital Expenditure Outturn 2014-15**

	Opening budget		Approved budget		Outturn		Outturn according to opening budget	Outturn according to approved budget
<b>Leisure centres</b>	£	3,615,000	£	4,009,040	£	3,953,920	109%	99%
<b>Countryside</b>	£	168,152	£	259,473	£	283,667	169%	109%
<b>Recreation</b>	£	428,255	£	941,657	£	338,570	79%	36%
<b>General</b>	£	116,500	£	183,400	£	145,975	125%	80%
<b>Major projects</b>	£	10,000	£	12,323	£	10,000	100%	81%

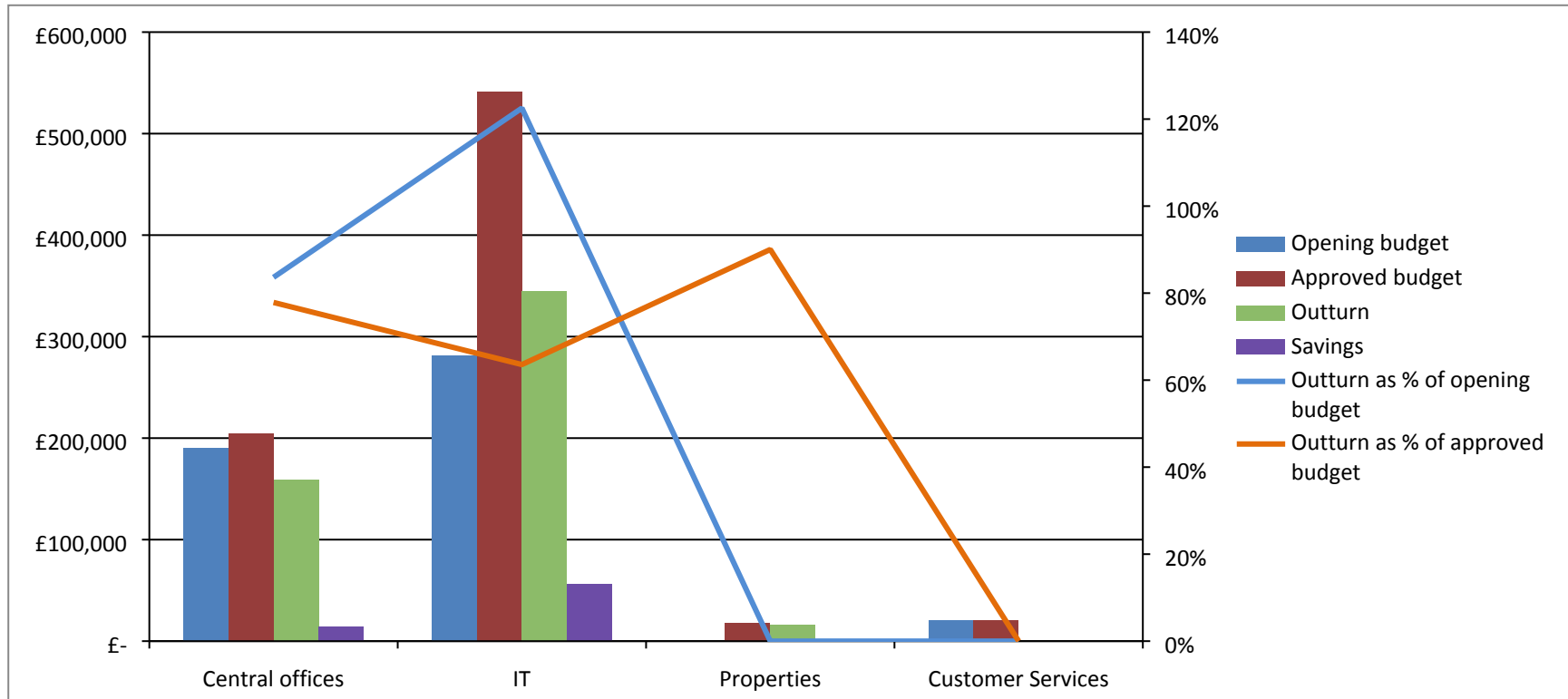


### Customer and Corporate Services Capital Expenditure 2016-17

	Opening budget	Approved budget	Outturn	Savings	Outturn as % of opening budget	Outturn as % of approved budget
<b>Central offices</b>	£ 93,000	£ 127,616	£ 125,417	£ 2,199	135%	98%
<b>IT</b>	£ 281,000	£ 347,085	£ 245,090	£ 101,995	87%	71%
<b>Properties</b>	£ 280,000	£ 92,575	£ 59,409	£ 33,166	21%	64%



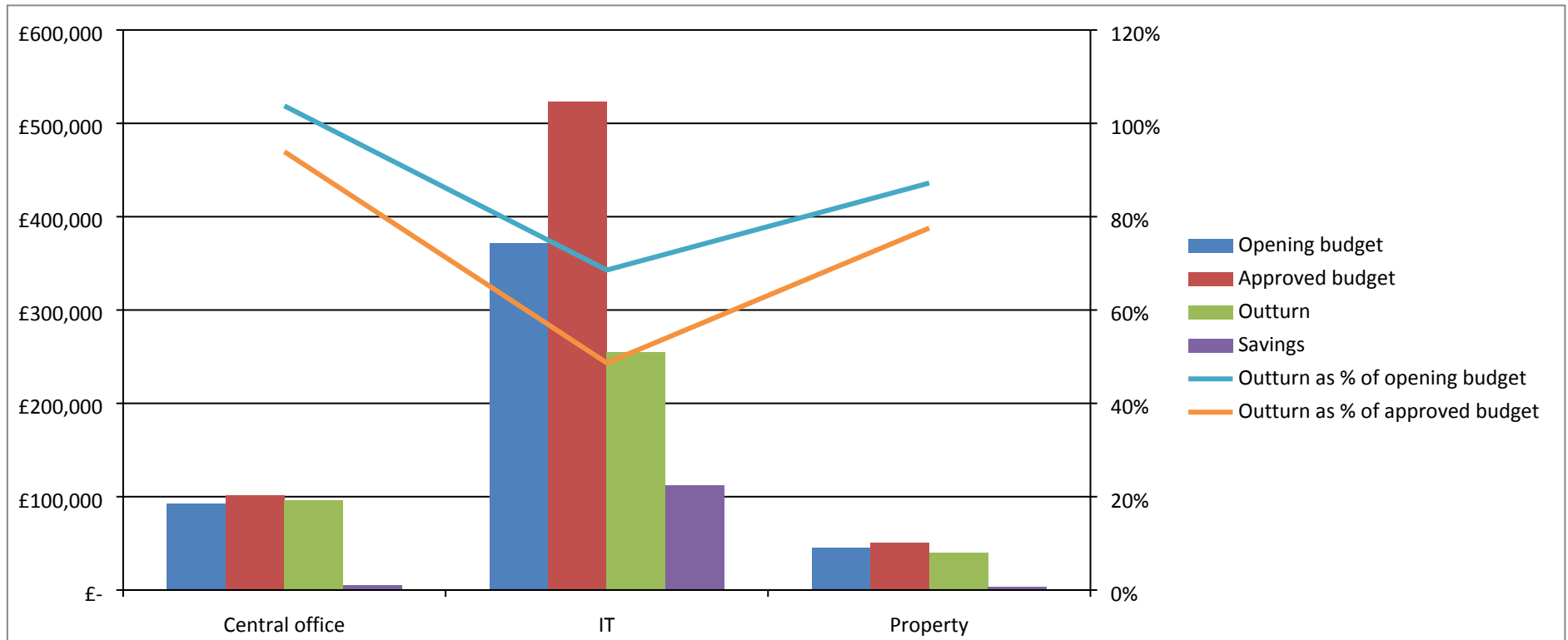
Customer and Corporate Services Capital Expenditure 2015-16						
	Opening budget	Approved budget	Outturn	Savings	Outturn as % of opening budget	Outturn as % of approved budget
<b>Central offices</b>	£ 190,000	£ 204,085	£ 58,892	£ 13,977	84%	78%
<b>IT</b>	£ 281,000	£ 541,553	£ 344,306	£ 55,755	123%	64%
<b>Properties</b>	£ -	£ 17,982	£ 16,189	£ 1,793	N/A	90%
<b>Customer Services</b>	£ 20,000	£ 20,000	£ 0	£ 0	0%	0%



**Customer and Corporate Services Capital Expenditure 2014-15**

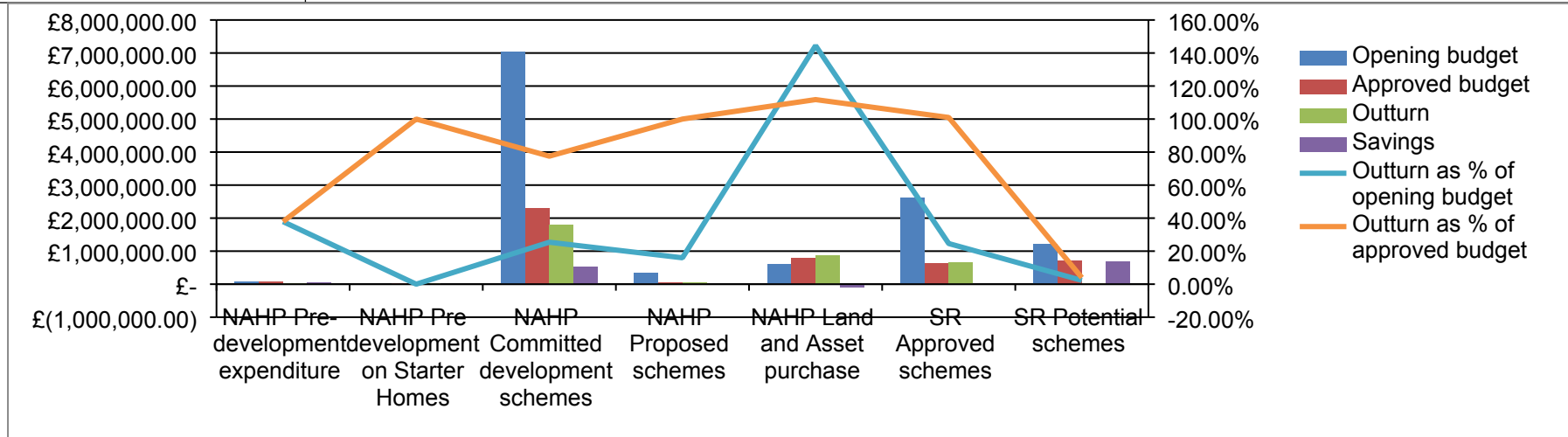
	<b>Opening budget</b>	<b>Approved budget</b>	<b>Outturn</b>	<b>Savings</b>	<b>Outturn as % of opening budget</b>	<b>Outturn as % of approved budget</b>
<b>Central office</b>	£ 92,000	£ 101,616	£ 95,446	£ 5,312	104%	94%
<b>IT</b>	£ 371,000	£ 522,752	£ 254,366	£ 111,751	69%	49%
<b>Property</b>	£ 45,000	£ 50,600	£ 39,247	£ 2,732	87%	78%



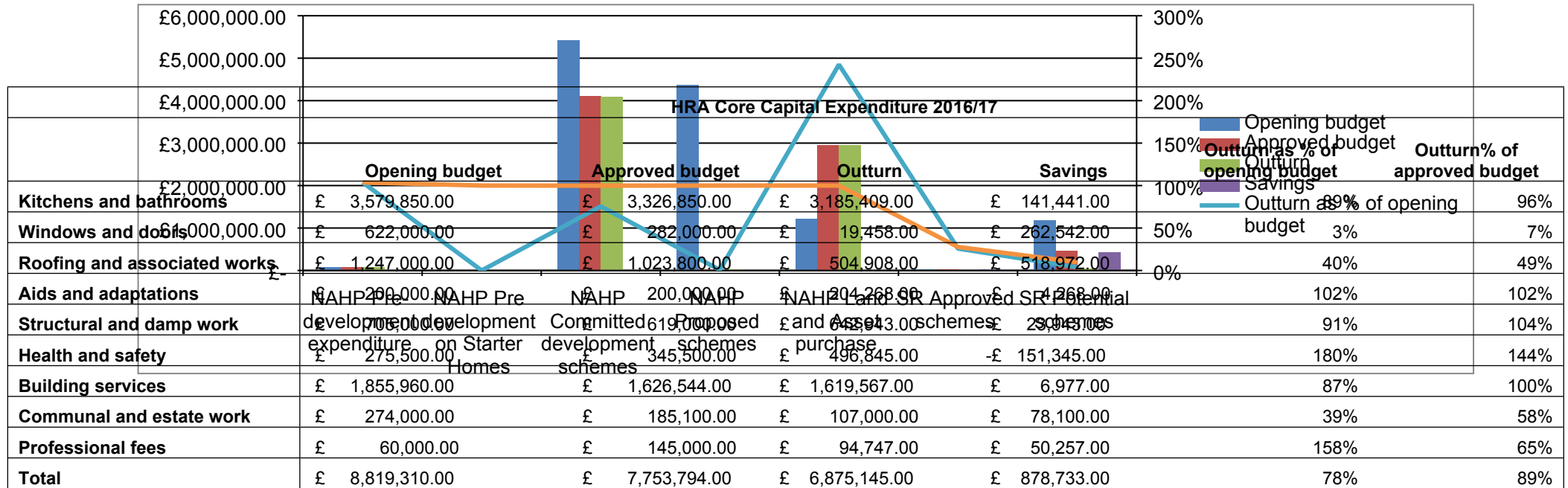


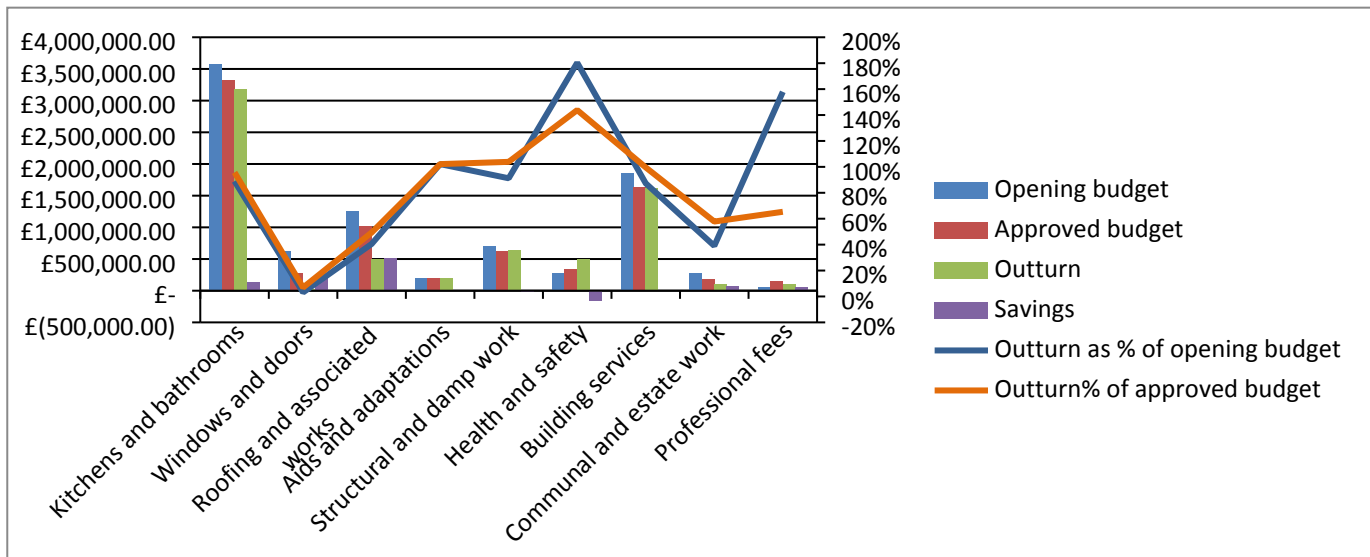
### Housing Development Board Outturn 2016/17

	Opening budget	Approved budget	Outturn	Savings	Outturn as % of opening budget	Outturn as % of approved budget
<b>NAHP Pre-development expenditure</b>	£83,500.00	£83,500.00	£31,625.00	£51,875.00	37.87%	37.87%
<b>NAHP Pre development on Starter Homes</b>		£20,570.00	£20,570.00			100.00%
<b>NAHP Committed development schemes</b>	£7,041,830.00	£2,307,797.00	£1,788,924.00	£518,873.00	25.40%	77.52%
<b>NAHP Proposed schemes</b>	£345,000.00	£55,098.00	£55,098.00		15.97%	100.00%
<b>NAHP Land and Asset purchase</b>	£600,000.00	£775,440.00	£866,818.00	£-91,378.00	144.47%	111.78%
<b>SR committed development schemes</b>	£2,626,000.00	£639,840.00	£646,008.00	£-6,168.00	24.60%	100.96%
<b>SR Potential schemes</b>	£1,220,500.00	£705,846.00	£27,780.00	£678,066.00	2.28%	3.94%



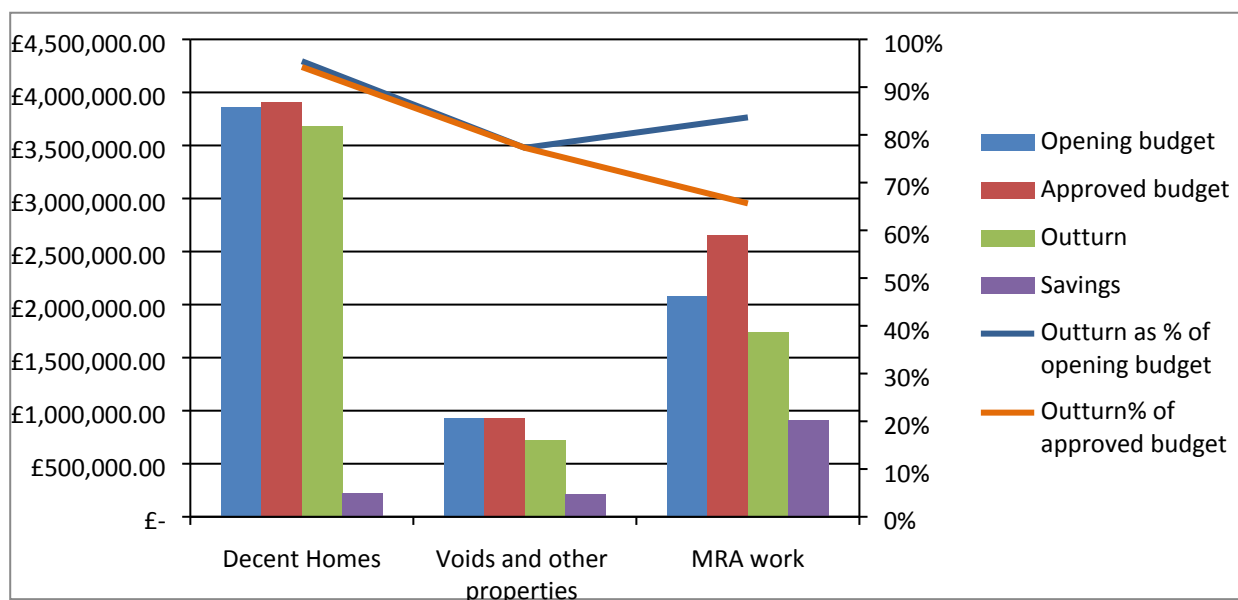
Housing Development Board Outturn 2015/16						
	Opening budget	Approved budget	Outturn	Savings	Outturn as % of opening budget	Outturn as % of approved budget
NAHP Pre-development expenditure	£83,500.00	£83,500.00	£86,633.00	£3,133.00	104%	104%
NAHP Pre development on Starter Homes		£13,493.00	£13,493.00	£0.00		100%
NAHP Committed development schemes	£5,427,109.00	£4,101,293.00	£4,096,293.00	£5,000.00	75%	100%
NAHP Proposed schemes	£4,375,400.00	£27,071.00	£27,071.00	£0.00	1%	100%
NAHP Land and Asset purchase	£1,220,000.00	£2,958,269.00	£2,958,269.00	£0.00	242%	100%
SR Approved schemes	£33,500.00	£31,232.00	£8,647.00	£22,584.00	26%	28%
SR Potential schemes	£1,180,000.00	£467,561.00	£45,778.00	£421,783.00	4%	10%





**HRA Core Capital Expenditure 2015/16**

	Opening budget	Approved budget	Outturn	Savings	Outturn as % of opening budget	Outturn% of approved budget
<b>Decent Homes</b>	£ 3,860,200	£ 3,909,841	£ 3,683,659	£ 226,182	95%	94%
<b>Voids and other properties</b>	£ 928,700	£ 928,700	£ 717,710	£ 210,990	77%	77%
<b>MRA work</b>	£ 2,081,100	£ 2,652,500	£ 1,741,133	£ 911,367	84%	66%
<b>Total</b>	£ 6,870,000	£ 7,491,041	£ 6,142,502	£ 1,348,539	89%	82%



## Appendix 4

### Initial stages of Capital Expenditure Process

The group learnt about the process of the capital expenditure programme in the first meeting. Below is the order of events described by the Accountancy Manager.

- a) Heads of Service (HoS) receive notification that the process of setting the annual capital expenditure programme is starting and project justification forms are distributed.
- b) Once completed by HoS, the project justification forms are considered by Management Board.
- c) The successful bids are discussed at budget challenge meetings with the relevant Portfolio Holder, HoS, the Strategic Director of Finance and Resources, the Head of Finance and an accountancy representative.
- d) The revised programme of projects is presented at Executive Briefing and eventually formally agreed along with the whole budget at February council.

Once the budget has been agreed and projects started they are subject to monthly budget monitoring review meetings.

2018/19 Project justification form

<b>Project Title</b>	
<b>Service</b>	

<b>Project owner:</b>	
-----------------------	--

<b>Approved budget 2017/18</b>	
<b>Total slippage from 2016/17</b>	
<b>Total budget</b>	-

<b>Cost centre</b>	
--------------------	--

<b>Project Outline</b>	
<b>Project Justification</b>	
<b>How will the project meet corporate objectives and your service plan?</b>	

<b>Start Date</b>	
<b>Completion Date</b>	

<b>Timeline:</b>	<b>Apr-17</b>	<b>May-17</b>	<b>Jun-17</b>	<b>Jul-17</b>	<b>Aug-17</b>	<b>Sep-17</b>	<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>	<b>Jan-18</b>	<b>Feb-18</b>	<b>Mar-18</b>
Please outline stages month by month (include feasibility, consultation, post project communication etc)												

<b>Estimated Spend by type of spend</b>	<b>Apr-17</b>	<b>May-17</b>	<b>Jun-17</b>	<b>Jul-17</b>	<b>Aug-17</b>	<b>Sep-17</b>	<b>Oct-17</b>	<b>Nov-17</b>	<b>Dec-17</b>	<b>Jan-18</b>	<b>Feb-18</b>	<b>Mar-18</b>
Land/Building purchase												
Construction costs												
Contracted Services												
Consultancy												
Planning Fees												
Legal Fees												
Equipment												
<b>Total</b>	0	0	0	0	0	0	0	0	0	0	0	0

Annual Total

0

What external funding is available?

Will there be any ongoing costs or savings?

**Procurement Process to be taken**  
Please also detail timing, lead in times etc.

**Risks & Dependencies**

**Resources required**  
Please include what staffing resource you require, please name officers involved in the delivery of the project.

Have you agreed the involvement with the required officers and given notice of when they are required?

What is the environmental impact?

Has an Equality Impact Assessment been carried out?

How will the project be publicised?



