

WAVERLEY BOROUGH COUNCIL

VALUE FOR MONEY AND CUSTOMER SERVICE OVERVIEW AND SCRUTINY COMMITTEE

18 FEBRUARY 2019

Title:

**UPDATE REPORT ON PROGRESS OF CAPITAL EXPENDITURE PROCESS AND
MANAGEMENT REVIEW RECOMMENDATIONS**

[Portfolio Holder: Cllr Ged Hall]

[Wards Affected: All]

Summary and purpose:

This report provides an update on the progress of the 19 recommendations made by the Value for Money and Customer Services O&S working group that reviewed Waverley Borough Council's (the Council's) Capital Expenditure Process and Management in February 2018.

How this report relates to the Council's Corporate Priorities:

Effective management of the capital budget contributes to the Council's prosperity priority.

Equality and Diversity Implications:

There are no direct equality and diversity implications in this report. Equality impact assessments are carried out when necessary across the council to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

Financial Implications:

Total Capital Budget including carry forwards for 2018/19 totals £23m. Improving the management of capital budgets and ensuring delivery in intended timescales would help ensure value for money through minimising inflationary cost pressures and provide services to Waverley's residents sooner. Identifying savings earlier would allow for reallocation of capital funds where possible to enable additional projects to happen or allow investment to improve interest income for the Council.

Legal Implications:

There are no direct legal implications associated with this report.

1. Background

A working group of the Value for Money and Customer Service (VFM CS) Overview and Scrutiny (O&S) Committee was set up in September 2017 to carry out an in-depth review of the capital expenditure process.

The final report of the working group was endorsed by the VFM CS OS Committee in March 2018 and the recommendations contained within it were agreed by the Executive at its April 2018 meeting. The 2017/18 budget had been approved before the final report was

published and so it is important to bear in mind that the real effects of the changes made as a result won't be fully realised until the 2019/20 budget year.

The table attached sets out the recommendations made in the report and translates these into actions, the progress of which is contained within the table.

The graphs that the working group used in its review have been recreated for the 2017/18 year. The 2016/17 graphs have been included for comparison.

The term 'opening budget' refers to the budget approved as at Executive and Council in February, and 'approved budget' is the opening budget plus any rescheduling and approvals in year.

In parallel with the review, Waverley was also reviewing its project management process through a corporate Foresight Group, resulting in renewed project documentation. The action plan makes reference to this project management documentation and highlights potential improvements/developments, the progress against which is contained within the table. Annexe 1 contains the business case justification form referenced throughout the action plan.

Recommendation

It is recommended that the Committee scrutinise the progress of the recommendations made by the working group using the attached action plan and graphs of capital expenditure by year and service.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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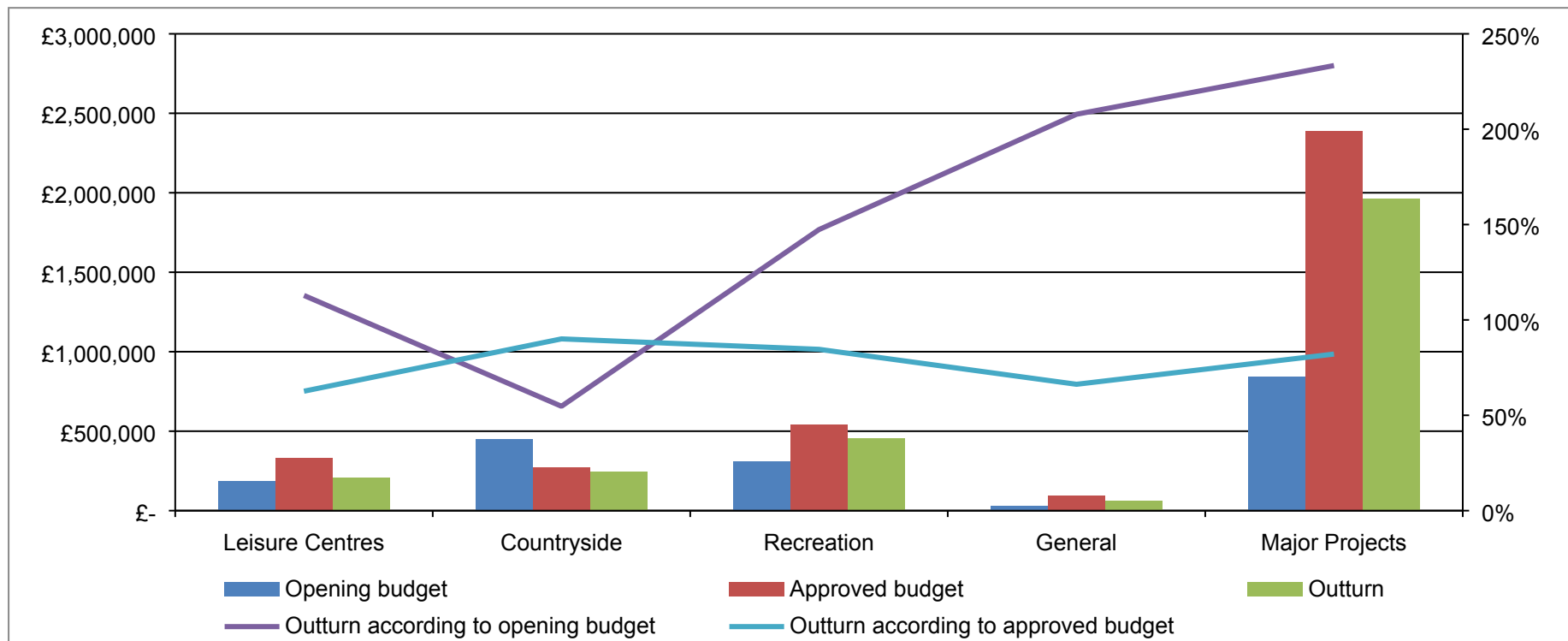
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	Recommendation	Action	Owner	Timescale	Progress
1	A greater level of independent oversight and review of projects in terms of validation arrangements, estimated figures and project milestones is introduced. A formal process on a rolling basis for supervision and review of projects would ensure they are subject to thorough oversight, possibly by Management Board.	Management Board to approve the justification form/business case of appropriate projects.	Project managers and Management Board	Ongoing	All justification forms/business cases for capital expenditure bids will go through Management Board (MB) as a matter of course. The Accountant Manager presented all General Fund 2019/20 bids to MB on 5 October and the bids considered priority are included in the proposed capital programme.
		The new quarterly performance report to be used as a tool to monitor appropriate corporate projects.	Policy and Performance Officer and Management Board	Quarterly	Corporate Performance reports will include a section on corporate projects once format is agreed by MB.
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.	Finance to produce reports on spend, as and when necessary, to support Heads of Service with the required control of spend.	Finance – Budget Monitors	January 2018	Heads of Service can now access live reports on spend whenever required. Monthly meetings with Heads of Service and budget managers will ensure effective communication regarding control of spend.
		Review the PID templates to ensure that resource implications are explicitly identified.	Corporate Policy Manager	November 2018	Resources are now more explicitly identified in the PID and priorities are given i.e. cost, time and quality.
3	The ownership of projects concerning property needs to be clearly defined to ensure clear lines of responsibility.	PIDs relating to property assets should clearly identify service area ownership.	Head of Customer and Corporate Service	November 2018 onwards	The PID contains sections on project governance and project reporting, which should be used to distinguish ownership and responsibilities.
4	Cross-service projects need robust project management arrangements to avoid fragmentation of ownership which can impact negatively on project delivery.	Governance arrangements included in PIDs of all cross service projects should clearly identify the lead project roles and responsibilities to avoid any confusion.	Project managers	November 2018	The Corporate Projects report will include the name of the Project Lead and the PID will specify governance arrangements.
5	Ownership of projects which are facilitated by supporting services , such as IT, should sit within the initiating department.	Service areas to take ownership of projects involving significant contributions from support services, such as IT, where the beneficiary is the service and its customers.	Project managers	For the 2019/20 budget cycle	The capital bids of 2019/20 were submitted in September 2018 and project managers were required to nominate a project lead from the initiating service.
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.	The business case and justification form to be combined in order for Management Board to have full oversight of the costings and justification and to avoid duplication.	Accountant Manager / Corporate Policy Manager	November 2018	The project justification form and business case form have been combined to form one document (business case justification form) , as part of the toolkit for project managers launched in December 2018, with a clear business case and projected costings. All capital expenditure bids will then go through MB for robust justification.
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.	A corporate fund for feasibility assessments is established for larger projects.	Finance	For the 2019/20 budget cycle	Robust business cases are covered in recommendation 1 and 6. Due to the difficult financial situation a feasibility fund has not been assigned priority. There is a development consultancy budget for property investment projects. Amendments to the financial regulations have made it easier for MB to mobilise funds as required.
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.	Estimated resource requirements be included in the business case justification form and be included in the time based resource plan for major projects showing monthly predicted spend (from recommendation 6).	Finance	For the 2019/20 budget cycle	The business case justification form now requires the names of staff and teams resourcing the project. This information will be shared with the Procurement Officer and legal team.
		Project plans within the PIDs should clearly identify which resources/members of staff will be working on the project and when.	Project managers	November 2018	The project plan is included as part of the PID and project managers are asked to identify resources for successful completion.
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.	The estimated resource requirements by month within the business case justification form will be a time based resource plan (recommendation 6 and 8). Significant pressure on resources should be flagged within this business case justification form.	Project managers	November 2018	The business case justification form contains a section for estimating resource requirements by month. Quarterly monitoring of corporate projects is now taking place by MB, which will identify any resource shortfalls. MB suggested the PID include reference to back-filling requirements for officers' time spent on projects.

	Recommendation	Action	Owner	Timescale	Progress
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.	Ensure the business case justification form indicates a best estimate of profile spend over the life of the project.	Finance and project managers	November 2018	The business case justification form includes profiled projected spending, by month in the first year and quarterly for second/third/fourth and fifth year.
11	Contingency budgets need to be explicitly or separately secured to increase transparency of budgeting.	The business case justification form should require project managers to be explicit about the amount of contingency included in their budget bid.	Finance	For the 2019/20 budget cycle	The business case justification form contains a section for contingency budgets to be identified. None were agreed for 2019/20.
12	As part of the robust monitoring process of projects, contingency budgets should be subject to review as the project progresses.	Contingency budgets to be closely monitored by the appropriate project board.	Project managers and Finance	For the 2019/20 budget monitoring cycle	No contingency budgets were identified. MB suggested the level of contingency should reflect risk appetite, which should be set out at the initiation stage.
13	Consideration of a corporate contingency budget should be made in order to avoid over-budgeting of funds.	Management Board to consider a corporate contingency budget which would discourage project managers from including individual contingency budgets, the entirety of which might not be used.	Management Board	For the 2019/20 budget cycle	This was considered by MB but not agreed (see progress of number 11).
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.	Following the renewal of the Council's project documentation by the Foresight Group, a template for business cases should be developed (combining the traditional justification form, as highlighted in recommendation 6).	Corporate Policy Manager / Accountant Manager	November 2018	The project management toolkit was launched in December 2018 including the business case justification form. Intranet/'Backstage' contains a page with project management guidance and documents which are available to all staff. The project management tools will be added to a Managers Group agenda.
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.	More sophisticated and useful reports to be made available to project managers to allow them to see spend to date and enable more control over budget management.	Finance and project managers	January 2018	These reports are now accessible to Finance and project managers, allowing them to see spend to date and commitments.
16	Close monitoring of the timeliness of slippage reporting should be exercised in coordination with the implementation of the new project justification forms. Timelier reporting would allow greater flexibility in the capital programme with opportunities for alternative projects to be introduced.	Finance to present monthly reports to Management Board detailing slippage and savings. MB to be informed of alternative uses for funds from a list of up to date alternative projects. HoST to be made aware of potential funds being available as a result of slippage for additional in year bids.	Finance and Management Board	September 2018	Finance presents a monthly report detailing savings and slippage to MB. Alternative projects have been identified and several have been brought forward.
17	After one year of the review's initiation, graphs equivalent to those in appendix 3 of the final report should be produced in order to monitor progress of the improvements made to the capital expenditure programme.	Policy Officer for Scrutiny to produce these graphs, with the support of Finance, which can then be attached to the update report going to the Value for Money and Customer Service Overview and Scrutiny Committee.	Policy Officer for Scrutiny / Finance	February 2019	These graphs will be attached to the report updating the Committee of the progress of the recommendations.
18	The new process of phasing budgets across several years should be presented in budget papers for both the general fund and the HRA.	No action needed as already happening.	Finance	2019/20 budget papers	General Fund and HRA new build and stock remodelling have been presented in this way for 2019/20. HRA core has not been presented this way as a full review of asset requirements is being undertaken.
19	A clear link between budgets and service plans should be drawn in papers presented to members.	The service plan template to include an opportunity for HoS to reference the relevant lines in the budget book.	Corporate Policy Manager/ Heads of Service	February 2019	Capital projects will have reference numbers referenced in the relevant parts of the service plans.

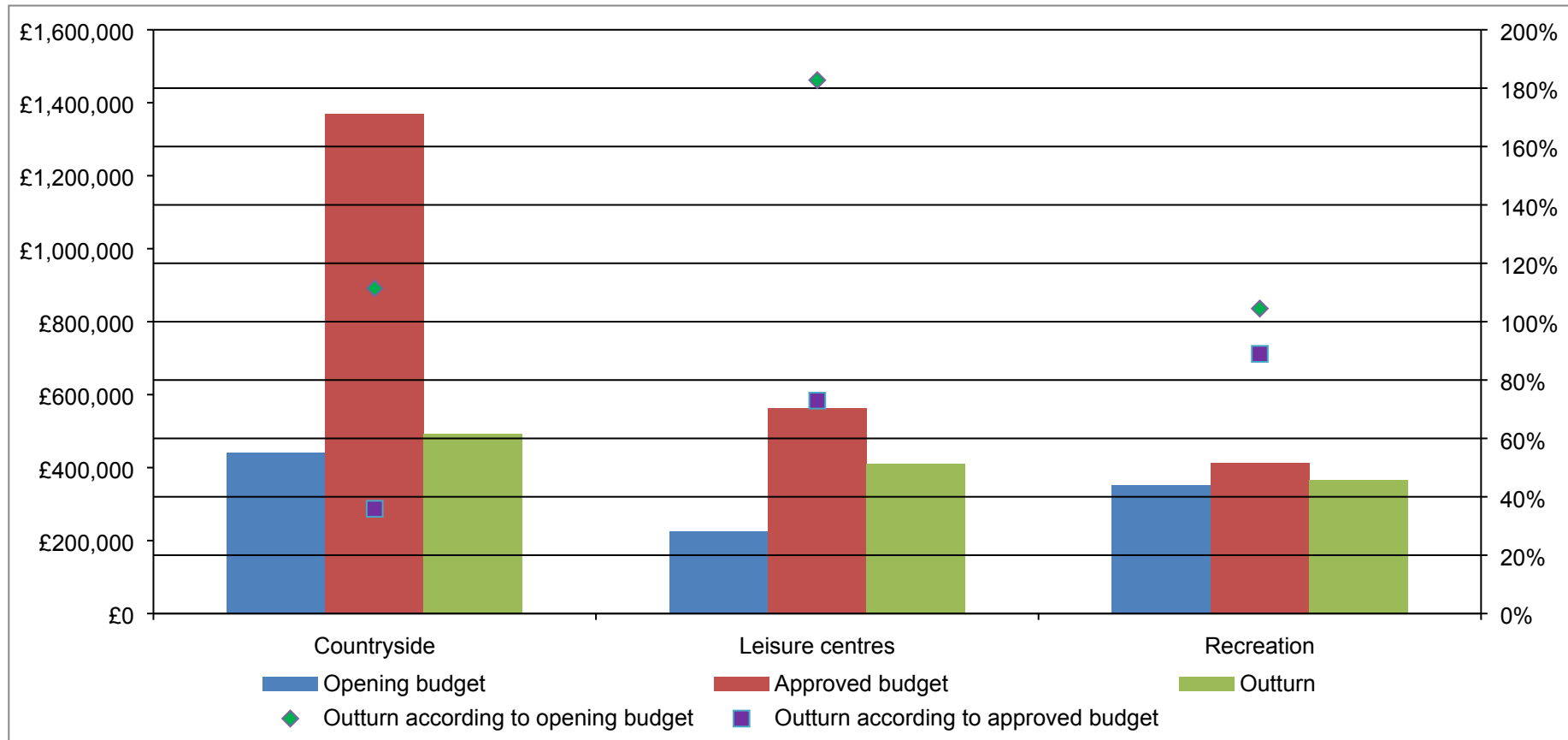
Communities Service Capital Expenditure 2016/17

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



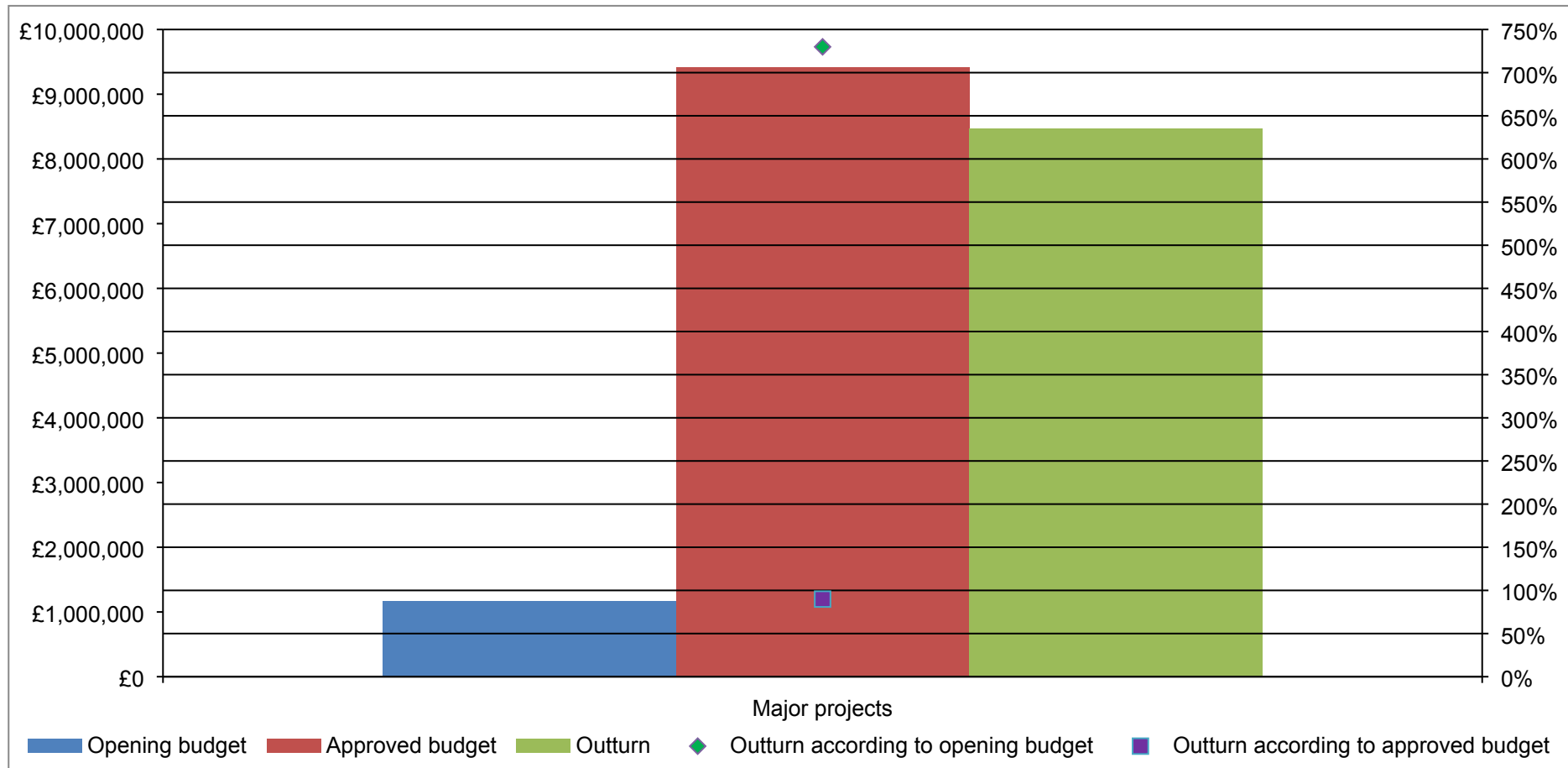
Communities Service Capital Expenditure 2017/18

	Opening budget	Rescheduled from previous year	Approvals in year	Approved budget	Outturn	Outturn according to opening budget	Outturn according to approved budget
Countryside	£441,333	£914,448	£14,215	£1,369,996	£491,689	111%	36%
Leisure centres	£225,000	£316,221	£22,360	£563,581	£411,152	183%	73%
Recreation	£350,499	£0	£61,160	£411,660	£366,240	104%	89%



Communities Service Capital Expenditure 2017/18

	Opening budget	Rescheduled from previous year	Approvals in year	Approved budget	Outturn	Outturn according to opening budget	Outturn according to approved budget
Major projects	£1,160,000	£6,198	£82,48,419	£9,414,617	£8,466,866	730%	90%



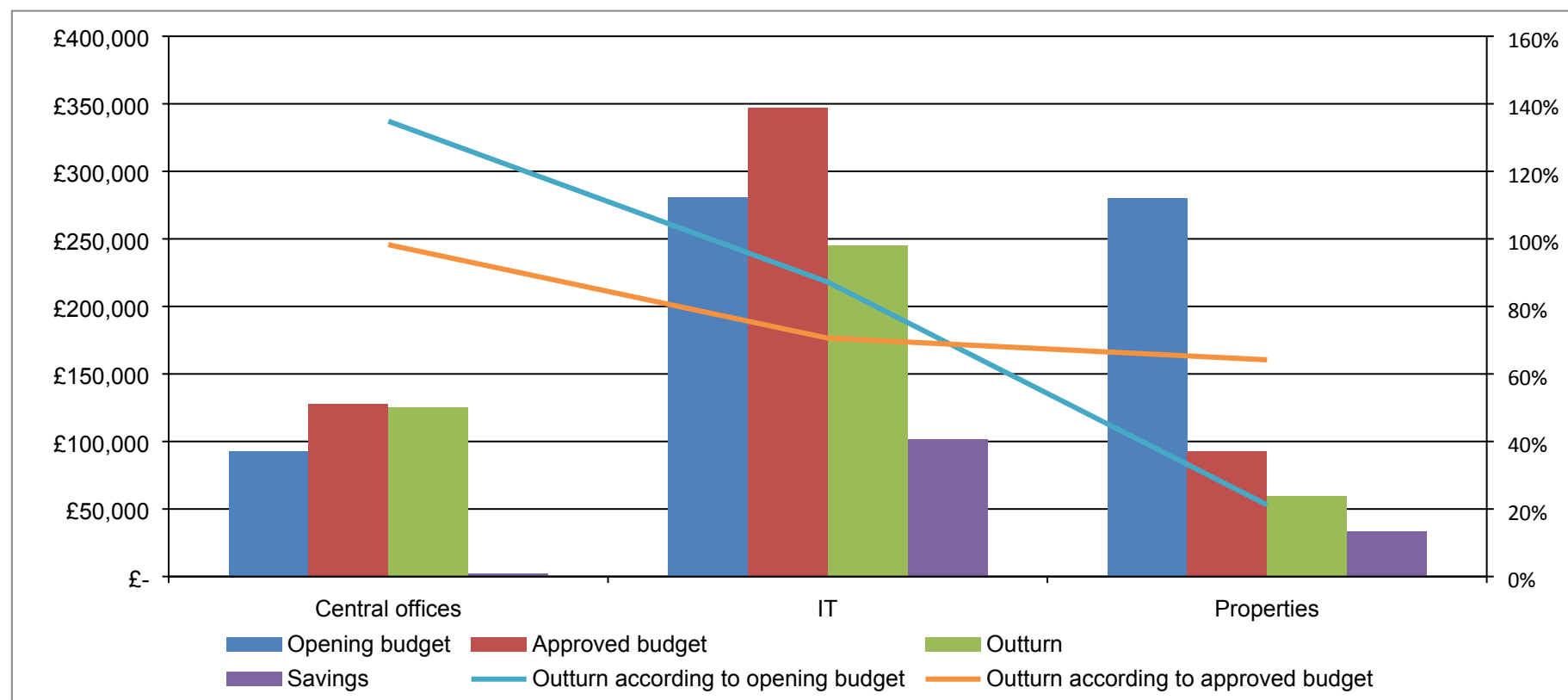
Communities Service Capital Expenditure 2017/18

	Opening budget	Rescheduled from previous year	Approvals in year	Approved budget	Outturn	Outturn according to opening budget	Outturn according to approved budget
Other	£51,000	£2,311,896	£161,604	£2,524,500	£1,867,697	3662%	74%



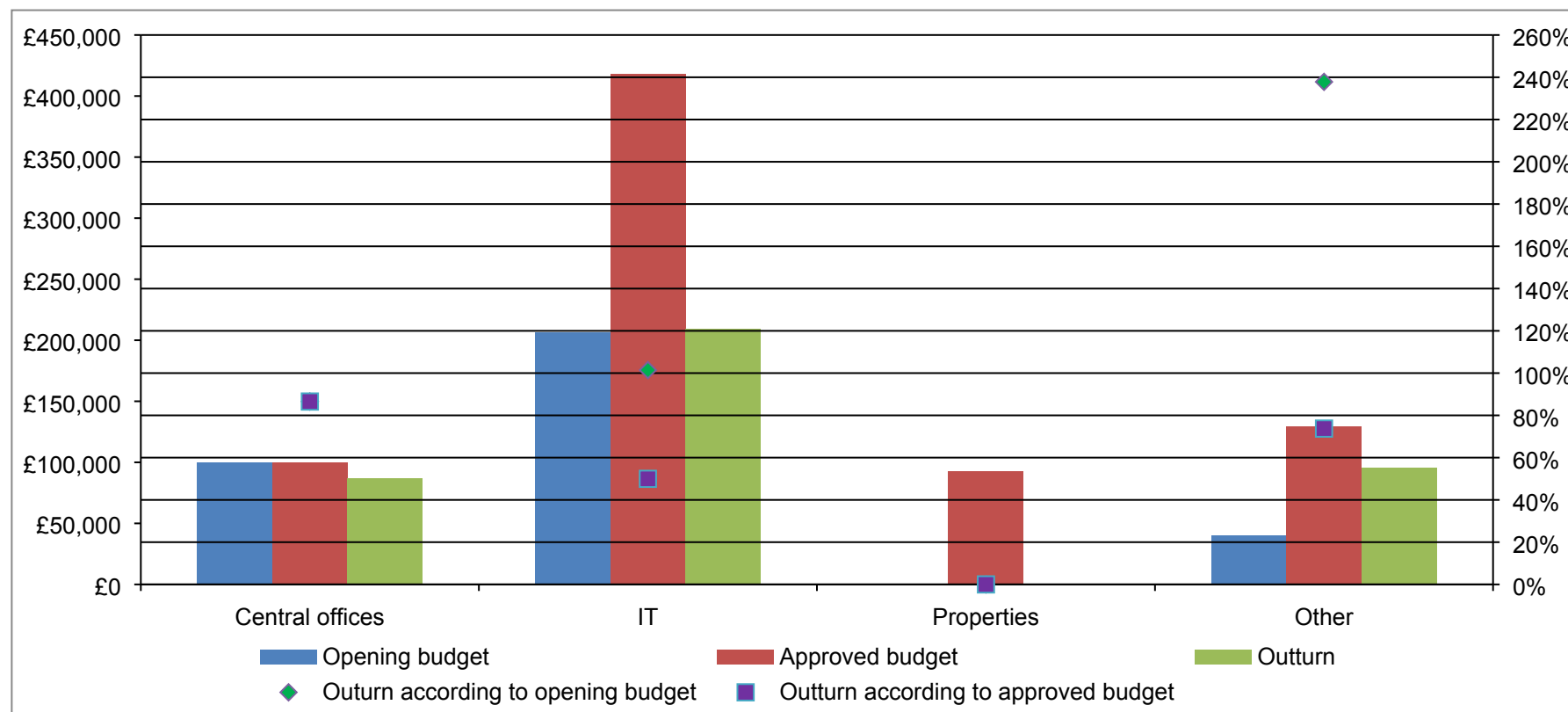
Customer and Corporate Services Capital Expenditure 2016-17

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



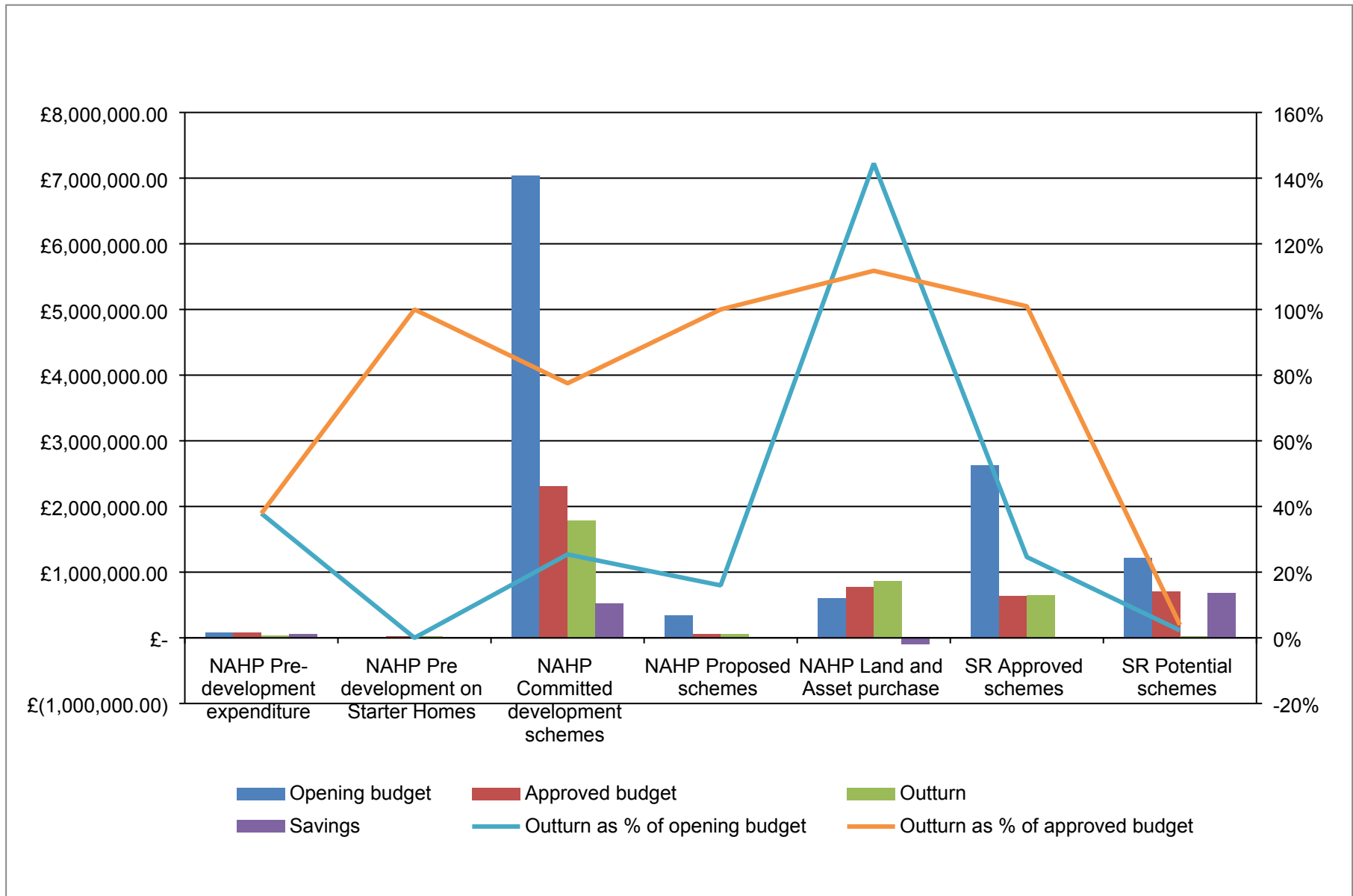
Customer and Corporate Services Capital Expenditure 2017/18

	Opening budget	Rescheduled from previous years	Approvals in year	Approved budget	Outturn	Outturn according to opening budget	Outturn according to approved budget
Central offices	£100,000	£0	£0	£100,000	£86,544	87%	87%
IT	£206,000	£ 169,818	£42,290	£418,107	£208,940	101%	50%
Properties	£0	£992,480	£-900,000	£92,480	£0	-	0%
Other	£40,000	£89,000	£0	£129,000	£95,130	238%	74%



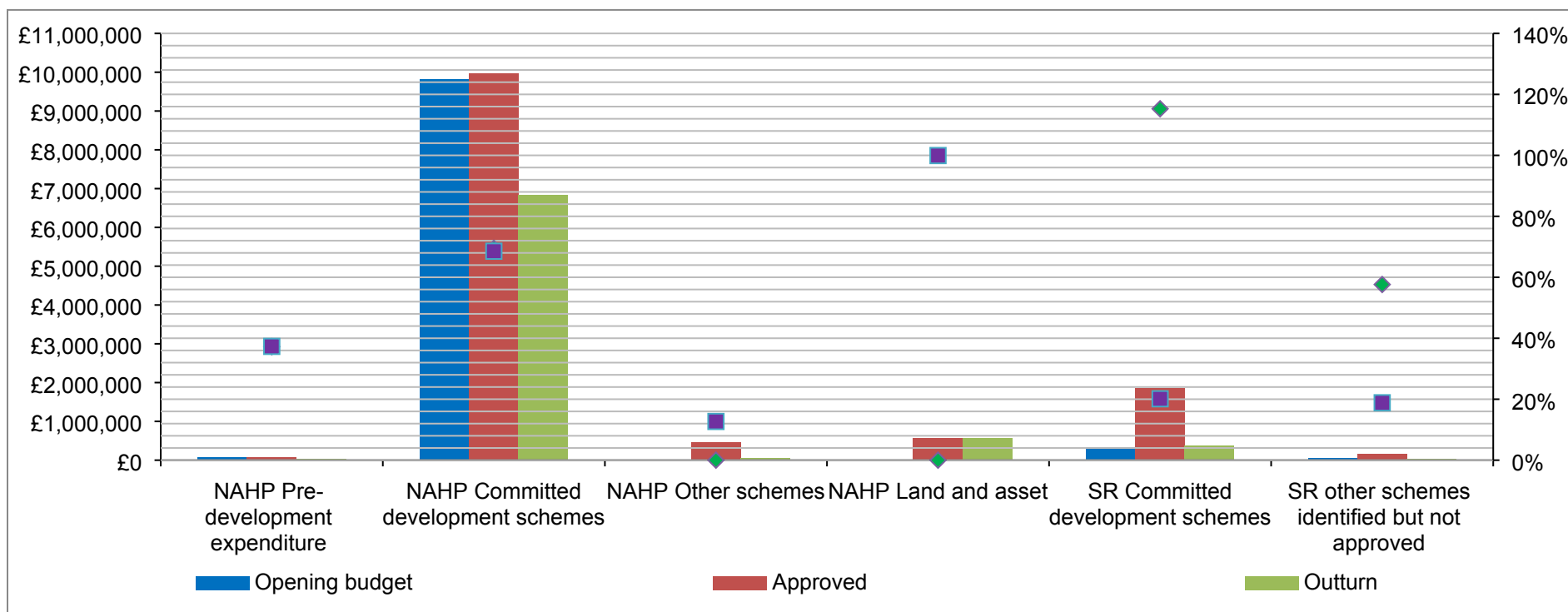
Housing Development Board Capital Expenditure 2016/17

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



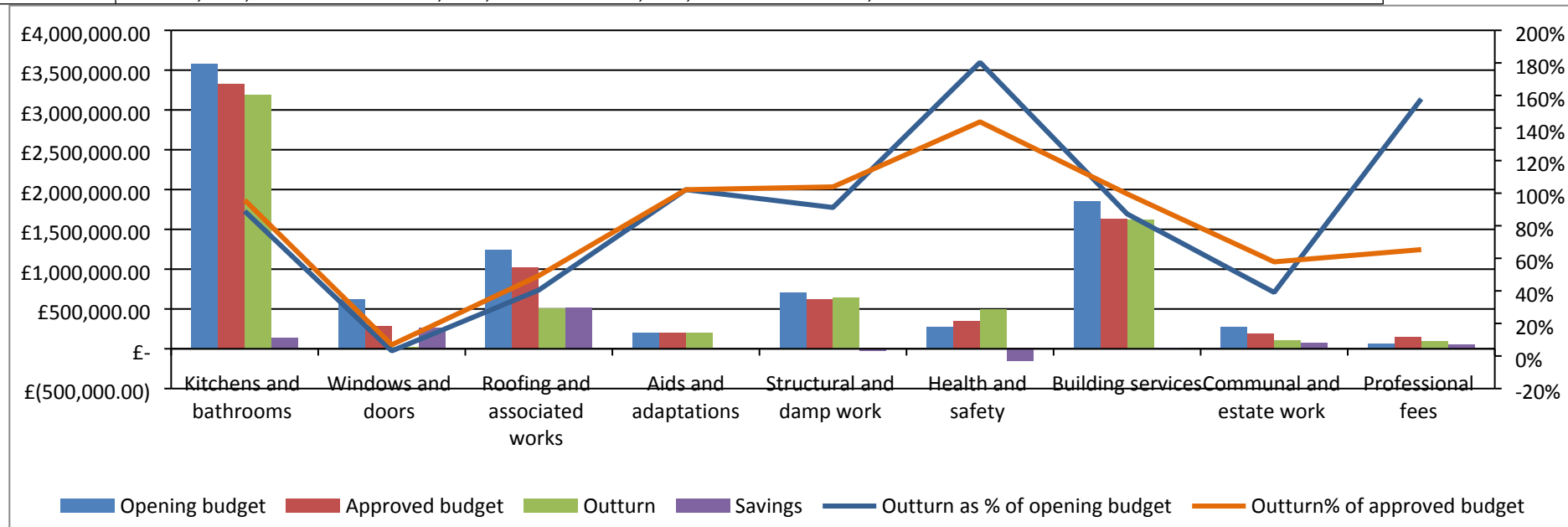
Housing Development Board Capital Expenditure 2017/18

	Opening budget	Rescheduled from previous year	Approvals within year	Approved budget	Outturn	Outturn according to opening budget	Outturn according to approved budget
NAHP Pre-development expenditure	£83,500	£0	-£225	£83,275	£31,088	37%	37%
NAHP Committed development schemes	£9,828,700	£5,523,064	-£5,387,530	£9,964,234	£6,831,169	70%	69%
NAHP Other schemes	£0	£501,867	-£50,000	£451,867	£57,391	-	13%
NAHP Land and asset	£0	£406,500	£154,094	£560,594	£560,236	-	100%
SR Committed development schemes	£324,000	£2,483,087	-£952,569	£1,854,518	£373,509	115%	20%
SR other schemes identified but not approved	£50,000	£663,034	-£560,000	£153,034	£28,816	58%	19%



HRA Core Capital Expenditure 2016/17

	Opening budget	Approved budget	Outturn	Savings	Outturn as % of opening budget	Outturn% of approved budget
Kitchens and bathrooms	£3,579,850.00	£3,326,850.00	£3,185,409.00	£141,441.00	89%	96%
Windows and doors	£622,000.00	£282,000.00	£19,458.00	£262,542.00	3%	7%
Roofing and associated works	£1,247,000.00	£1,023,800.00	£504,908.00	£518,972.00	40%	49%
Aids and adaptations	£200,000.00	£200,000.00	£204,268.00	£-4,268.00	102%	102%
Structural and damp work	£ 705,000.00	£619,000.00	£642,943.00	£-23,943.00	91%	104%
Health and safety	£275,500.00	£345,500.00	£496,845.00	£-151,345.00	180%	144%
Building services	£1,855,960.00	£1,626,544.00	£1,619,567.00	£ 6,977.00	87%	100%
Communal and estate work	£274,000.00	£185,100.00	£107,000.00	£78,100.00	39%	58%
Professional fees	£ 60,000.00	£145,000.00	£94,747.00	£50,257.00	158%	65%
Total	£8,819,310.00	£7,753,794.00	£6,875,145.00	£878,733.00	78%	89%



HRA Core Capital Expenditure 2017/18

	Opening budget	Rescheduled in year	Approvals in year	Approved budget	Outturn	Outturn according to opening budget	Outturn according to approved budget
Kitchen & Bathrooms	£250,000	£0	£300,000	£550,000	£332,480	133%	60%
Windows & Doors	£300,000	£540,000	£270,000	£1,110,000	£809,917	270%	73%
Roofing & Associated Works	£630,000	£150,000	£260,000	£520,000	£276,538	44%	53%
Aids and Adaptions	£200,000	£0	£100,000	£300,000	£197,792	99%	66%
Structural & Damp works	£925,000	£35,000	£280,000	£680,000	£324,982	35%	48%
Health & Safety works	£270,000	£230,000	£86,000	£586,000	£141,234	52%	24%
Compliance works	£1,090,000	£935,000	£86,000	£1,939,000	£1,157,279	106%	60%
Communal & Estate works	£235,000	£130,000	£13,130	£378,130	£289,418	123%	77%
Professional Fees	£100,000	£20,000	£60,000	£60,000	£29,403	29%	49%
IT Projects	£45,000	£22,091	£0	£67,091	£22,066	49%	33%

