

CARMARTHENSHIRE COUNTY COUNCIL

MANAGING CAPITAL

FOR USE BY ALL CAPITAL BUDGET MANAGERS

**Financial Services
Reviewed April 2014**

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1. INTRODUCTION

1.1 Capital Expenditure Definition

Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised and be classified as a tangible fixed asset, provided that it yields benefits to the authority and the services it provides are for a period of more than one year.

Capital expenditure is defined by legislation as:

- the acquisition, reclamation, enhancement* or laying out of land;
- the acquisition, construction, preparation, enhancement* or replacement of roads, buildings and other structures;
- the acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus, vehicles and vessels.

*Enhancement is defined ... “to mean the carrying out of works which are intended to lengthen substantially the useful life ... to increase its open market value or to increase substantially the extent to which it can or will be used for the purposes or ... functions of the authority concerned”.

1.2 Capital Programme and Priority Assessments

Carmarthenshire County Council's Corporate Strategy outlines, in broad terms, the overall aims, goals and objectives of the Authority. There are various substrategies that feed into and support the Corporate Strategy, and the Capital Programme underpins these. Therefore the capital programme will be closely linked to the various sub-strategies and plans (e.g. Asset Management Plan, Local Transport Plan etc.) and the Service Departments' Business Plans, with the aim of delivering projects and outputs that meet the set objectives. The Capital Programme is prepared and approved on a five-year forward plan basis. The fiveyear time period is essential in order to:

- Provide a detailed implementation plan to enable the high level objectives to be realised.
- Provide a financial commitment to allow sufficient time to adequately plan, design and implement future schemes and projects.
- Provide an overview of the likely future commitments arising from current schemes.

The Strategic Assets Steering Group (SASG) will carry out a priority assessment of all schemes included in the five year capital programme. The assessments will take into account the risks associated with the schemes and the Council's priorities and strategies. The results of the assessment will be submitted to CMT and then on to Executive Board for their endorsement. The capital programme will be finally approved by County Council following full consultation with Scrutiny Committees and other relevant stakeholders.

1.3 Five-Year Capital Programme Status

The five-year capital programme will be reviewed and approved annually as part of the budget setting process of the County Council. Although the budget is set in principle for a five-year period, Year 1 will be fixed, while the allocations for Years 2 to 5 will be viewed as indicative with the expectation that the budgets will be confirmed before the schemes reach Year 1 status. Even though schemes moving forward in the programme will be reviewed annually as part of the prioritisation process for the whole five-year programme, this should be viewed as a check on the continued viability of the scheme against the business plan within the set budget. This process should not be viewed as an opportunity to change the approved programme for schemes moving forward, unless the business plans have significantly changed and are in question. **This principle is essential to allow adequate planning and development of the schemes throughout the period leading to implementation.** Only in exceptional circumstances would the actual confirmed budgets for each new Year 1 vary from the previously agreed indicative budgets.

The status of the five-year approved programme is described below with further clarification in Table 2.2.

Year 1 - schemes undertaken in current financial year with schemes and fixed budgets previously approved. Even though the budget for the five-year programme has been set, planned expenditure in excess of the approved budget within the year with a subsequent under-spend in the following year(s) will not be allowed unless Executive Board approval has been gained. However, under-spend within the year may be accommodated through agreed slippage. Slippages need to be reported as early as possible within the financial year in order that time is allowed for other schemes to be brought forward.

Year 2 - schemes and indicative budgets previously approved and committed to enable development and detailed design work to continue within the current financial year (Year 1). Business plans should be updated as further information will have been obtained since the original business plan was prepared in Year 3. The continued viability of Year 2 schemes is to be reviewed as part of the priority assessment before entering Year 1. Year 2 schemes should not therefore be committed for actual construction or implementation prior to the actual budget for the new forthcoming Year 1 being confirmed.

Scheme designs should be progressed in preparation for construction / implementation in the following financial year. Only minor changes to estimates and scheme detail would be expected for Year 2 schemes prior to progressing into Year 1.

Year 3 - schemes will have been accepted onto the programme and a business plan needs to be prepared to provide further detail over that contained in the Project Proposal Form (PPF). During the course of the year, Year 3 schemes will need to be developed further by means of feasibility, investigation and survey work to firm up cost estimates, identify land requirements if not already known, and to highlight

potential problems. For the larger schemes, changes will inevitably occur, and it may be necessary to re-phase aspects of development or land purchase within the overall capital programme. The continued viability of Year 3 schemes is to be reviewed as part of the priority assessment before entering Year 2.

Years 4 & 5 – these schemes will have already been accepted into the programme in earlier years and the PPFs submitted previously need to be reviewed and updated for any new information that becomes available. Schemes may fall out of favour due to changing circumstances or priorities and will need to be removed from the programme or replaced.

Year 6 - during the course of the year, PPFs for potential capital projects for the next batch of Year 5 schemes will need to be provided based on desktop or scoping studies. A priority assessment will be carried out by SASG based on the information contained in the PPF and a scoring system has been devised which will rank schemes as high, medium or low priority.

Exceptions - it is recognised that exceptions will occur where schemes or opportunities emerge that were not known about at the time that the five-year programme was approved. It may also be the case that the emerging schemes are perceived as being of a higher priority than some contained within the approved programme. Such cases will need to be considered individually on an **exception** basis by the Departmental Project Working Groups (DPWG) and SASG to determine the need, priority and consequences of introducing the scheme to the programme. If an emerging scheme is determined as being of higher priority than schemes within the approved programme, then one or more of the approved schemes may have to be delayed and re-programmed within subsequent years of the Capital Programme, subject to approval by Executive Board / County Council following recommendation by SASG/CMT. It is possible that County Council itself will take on board this re-prioritisation due to the urgency of a scheme. If a scheme is deferred, it should be acknowledged that there is a risk that the deferred scheme may not go ahead if the programme priorities change for the relevant future year.

1.4 Management of the Capital Programme

To effectively manage the Capital Programme it must be ensured that:

- *A Project Proposal Form is produced initially in order to prioritise schemes for inclusion in the capital programme.*
 - *A business plan is developed for all projects once they reach Year 3 within the programme.*
 - *There is sufficient time and budget to allow projects to be developed and refined prior to construction.*
 - *The stages of development and progression are phased into the programme.*
 - *Estimates are accurately prepared at different stages of project development, based on the best information available at the time.*
 - *Estimates are refined as part of the design process.*
 - *Land acquisition and legal constraints have been addressed.*
 - *Expenditure and Funding is monitored on a monthly basis.*
 - *Variations in total and annual costs are identified and reported promptly.*
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- *Slippage in the timing of schemes is identified and reported promptly.*
 - *There is recognition of new schemes emerging.*
 - *New funding is identified.*
 - *On completion, each scheme or programme will have a Post Investment Appraisal undertaken.*

The 'Managing Capital' procedures detailed in this Manual have been adopted as Policy of the Authority. All officers involved in capital schemes must adhere to the procedures.

This manual will provide users with a comprehensive guide to the Authority's Capital control process.

For clarification, this policy does not apply to capital items that are leased, rented or contract hired as these have their own financial regulations. For the budget heads Renewal Assistance, Area Renewals and Group Repairs, Disabled Facility Grants, Capitalised Maintenance, Adaptations and Land Drainage schemes, the policy only applies as regards the total budget held, although all component parts must comply with the definition of Capital Expenditure outlined on page 1.

A Strategic Asset Steering Group (SASG) is in place which consists of crossdepartmental representation from the 'Heads of' tier of management, Chairs of the Departmental Project Working Groups (DPWG) and other senior officer representatives. The group will meet monthly and its role is outlined under Section 4.

Five DPWGs have been set up to monitor and report on their respective Five-year Capital Programmes. The Groups will review and monitor budgets & programme, and will consider the Project Proposal Forms for new schemes and Business Plans as the schemes develop. When a scheme has been completed they will also review the Post Investment Appraisal. Each group will comprise officers from each Section

within a Department that are responsible for individual or collective capital projects as decided and nominated by the Responsible Officers. Officers from the Financial Services Section (Capital and revenue where appropriate) and Property Services will also attend the meetings, as well as officers from Transport and Engineering, Procurement, Corporate Property and External Funding Team when necessary.

The DPWGs also monitor and oversee revenue projects including those that are externally funded. This is done on an exception basis with reports submitted to the groups as and when required.

The five groups are as follows:

- Resources (Corporate Property, IT and Chief Executives).
- Education and Children's Services.
- Regeneration and Leisure.
- Social Care, Health and Housing.
- Technical Services.

In addition to the above, sub-groups may exist as decided by each Department.

1.5 Project Management Toolkit

A corporate toolkit has been developed to guide and assist officers through the project management process in order to comply with the requirements and regulations of the Authority and External funders (if applicable).

The toolkit will take officers through four different stages in the process as follows:

1. Developing an idea.
2. Developing the project.
3. Delivering the project.
4. Reviewing and closing the project.

2. CAPITAL TIMETABLE

2.1 Capital Programme Approval - Overview

The various stages of promoting a capital scheme for consideration and approval for inclusion into the capital programme, and the process of approving the overall five-year capital programme is outlined below in Table 2.2. More detailed commentary is given in Section 3.1.

2.2 Table Capital Scheme / Programme Approval Process

Cross Ref. to 3.1	MONTH	ACTIVITY	RESPONSIBILITY OF
Stage 1	April to June	Departments will prepare :- 1) New Project Proposal Forms to be prepared for Year 6 schemes. 2) Updated PPFs for Years 4 & 5. 3) New business plans for Year 3 schemes 4) Updated business plans for Year 2 schemes. These will be presented to the relevant Departmental Project Working Group before submission in order to ensure that they hold up to scrutiny.	Departments, DPWG.
Stage 2	July to August	SASG to prioritise schemes based on information provided in PPFs and Business Plans submitted by Departments. The assessments will take into account the risks associated with the schemes and the Council's priorities and strategies.	SASG
Stage 3	Sept to October	Capital Programme collated by Financial Services and reported to CMT and Executive Board for approval based on priority assessment by SASG.	Financial Services, CMT, Executive Board
Stage 4	Nov to December	Financial Services to submit reports for consultation with Relevant Parties including Scrutiny Committees, Citizen's Panel, Town and Community Councils and Industrial and Commercial Ratepayers.	Financial Services
Stage 5	January	The Preliminary Executive Board considers the programme taking on board consultation comments.	Preliminary Executive Board
Stage 6	February	Executive Board / County Council consider and approve the five-year capital programme taking on board consultation comments.	Executive Board / County Council
Stage 7	April onwards	Capital Scheme Monitoring by Responsible Officers, Main Project Budget Managers, Project Budget Managers, Works Order Budget Managers and Departmental Project Working Groups .	Responsible Officers, Main Project Budget Managers, Project Budget Managers, Works Order Budget Managers, Working Groups

3. MANAGING THE CAPITAL PROCESS – DETAILED PROCEDURES

3.1 Process of Inclusion of a Scheme/Programme in the 5 year Capital Programme

Stage 1 (April to June) Project Proposal Forms (PPF)/Business Plans to be prepared.

PPF

The PPF is a one page document which gives an outline of the key elements of the project including a description of the work, what it is going to deliver, any risks and the estimated costs.

We are currently in the process of reviewing the Project Proposal Form (PPF) design and questions which will be available in June 2017.

New PPFs will need to be prepared for schemes in Year 6 of the capital programme. Before being submitted they will be assessed by the Departmental Project Working Groups to ensure that projects are acceptable and stand up to scrutiny. PPFs for Years 4 & 5 will also need to be reviewed and updated if required.

The PPFs must be completed online by project managers and submitted to their Head of Service. A message will automatically be sent to the appropriate officers within Resources, Chief Executives and EFT once the project has been approved by the Head of Service.

Business Plan

The business plan is a more comprehensive document which aims to expand on the initial PPF and give a fuller picture of the project. It will need to detail what the project will deliver, how it will be delivered, by whom and how much it will cost. It will also need to highlight any potential constraints that may affect the project and the risks that need managing.

[Download the Project Business Plan Template \(.doc\).](#)

Detailed business plans for schemes in Year 3 need to be worked up by Departments in order to provide further detail of schemes approved previously in Year 4 based on PPF submissions. When necessary, representatives from Corporate Procurement, Technical Services, Corporate Property and EFT should be involved.

Business plans for Year 2 schemes should also be updated if necessary. As schemes are developed additional information will be available which will strengthen the business case.

The business plans should be assessed by the Departmental Project Working Groups prior to being submitted to SASG.

Note:

- Revenue Implications

It is important that serious consideration is given to the implications a project will have on the revenue budget, both in the short and long term. It may be that a scheme may produce savings in terms of ongoing maintenance in some instances. In other cases, the scheme may enhance the level of service to our customers, but could add to the maintenance requirements of the service in the long term, particularly in the case of additional assets. There may be a need to provide additional resources such as finance, personnel, property, or IT equipment, or there may be efficiency savings.

It will be noted that those schemes that have implications requiring additional revenue funding have not been accepted into the capital programme in recent years.

- Scheme Estimates and Pre Construction Stage Works

It should be recognised that there is generally a significant amount of work involved in progressing a scheme from the original identification to implementation stage. One of the most important elements of the Business Plan is the need to identify and quantify costs, and the benefits to be derived from implementing the scheme. Therefore it is essential that scheme costs are reviewed through the various stages of development, and the business plan reviewed as necessary.

An outline budget estimate should initially be derived from a desk study/scoping exercise. More accurate budget cost estimates should be derived during the feasibility stage followed by detailed cost estimates during the detailed design stage. It should be ensured that sufficient time and budget is available to allow these stages to be built in to the programme, and this is considered essential in terms of eliminating the need for significant changes to the agreed budgets during the implementation stage. In some cases, particularly on larger schemes it will be necessary to undertake environmental survey work and ground investigation works to enable detailed design to be completed.

If a significant sum of money is required to develop a business plan, and there is no finance available to undertake the scoping or desk study work then the issue should be raised via the DPWG, and put to SASG for further consideration for funding.

Stage 2 (July to August): Priority Assessment by SASG

SASG will carry out a priority assessment of all schemes included in Years 2, 3, 4, 5 & 6 based on information submitted by Departments in PPFs (Year 4, 5 & 6) and Business Plans (Years 2 & 3).

The assessment will take into account the risks associated with the schemes and the Council's priorities and strategies. Each scheme will be given an overall priority ranking of either high, medium or low based on the results of the assessment.

Stage 3 (September to October): Report to CMT and Executive Board

The Capital Programme will be collated by Financial Services based on the results of the priority assessment carried out by SASG. A report will be submitted to CMT for their consideration before being sent to Executive Board for approval and endorsement for consultation purposes.

Stage 4 (November to December): Consultation with Relevant Parties

The Capital Programme report will be sent for consultation purposes to all relevant parties, including Scrutiny Committees, Town/Community Councils, Industrial and Commercial Ratepayers, Citizens Panels and others. Their comments will be noted and collated for future submission.

Stage 5 (January): Preliminary Executive Board

The Preliminary Executive Board considers the Capital Programme taking on board consultation comments received at Stage 4. Any amendments deemed necessary are implemented in the new Capital Programme report.

Stage 6 (February): Executive Board and County Council

The five-year capital programme report to be considered and approved by Executive Board and County Council taking into account the comments received during the consultation process.

Stage 7 (April onwards): Capital Scheme Monitoring

Once the new financial year commences the capital monitoring process involving Responsible Officers, Main Project Budget Managers, Project Budget Managers, Works Order Budget Managers and Departmental Project Working Groups will begin.

3.2 Managing Approved Schemes/Programmes Prior to Commencement

Part of the role of the DPWG will be to manage the Department's programme and will include reviewing the business plans as the schemes are developed.

3.2.1 Schemes progressing from Year 3 of the Programme into Year 2

To enable a scheme to be included in the Capital Programme, i.e. in Year 3, a business plan will have already been compiled and accepted. It is likely that the cost estimate at this stage will be an outline budget estimate based on a desk/scoping study. During the course of a financial year, further development work will need to be progressed on the schemes in Year 3 of the programme, to refine the content and cost estimates of the schemes where applicable. In addition, there may be a need to undertake environmental studies, ground investigations etc.

- For construction related projects the appropriate Gateway Manager (Property or Engineering) should be consulted at the earliest possible stage regarding the commissioning of any initial investigations, surveys or desk / scoping studies and preparation of cost estimates from a Framework Consultant or in house design team.

This stage is primarily concerned with submitting more detail to the original business plan which will include:

- A more detailed scheme estimate and feasibility study to confirm original Business Plan.
- Business plans will need to be reviewed if nature, cost or phasing of schemes change significantly.
- Programme and funding profile will need to be reviewed. There may be examples (particularly on larger construction schemes) where rephasing or re-profiling will need to be undertaken as a result of environmental requirements and surveys, land acquisitions etc.
- Where appropriate, revised business plans will need to be resubmitted for approval prior to being confirmed in Year 2 of the programme. No further work should be undertaken until such approval is obtained.
- All budgets should be scheme specific for progression to Year 2 where possible.

3.2.2 Schemes progressing from Year 2 of the Programme into Year 1

During the course of a financial year, schemes in Year 2 of the programme will need to be developed further in terms of detailed design and detailed estimate. This will allow timely preparation of tender documents to enable tenders to be invited where considered appropriate. This phase may also involve environmental and other types of survey work as part of the detailed design works.

- For construction related projects the appropriate Gateway Manager (Property or Engineering) should be consulted regarding the commissioning of further investigations, surveys or desk / scoping studies and preparation of detailed designs and cost estimates from a Framework Consultant or in house design team.
- Where appropriate a 'Design & Build' / Early Contractor Involvement approach may be considered and a Framework Contractor may be appointed to assist in the design preparation phase. The appointment would be limited to this initial phase only.

This stage will also involve submitting revised details to the current business plans where appropriate, and will include:

- Revised detailed scheme estimates where applicable.

- Revised phasing of the works and spend profile. This may be due to the need for additional survey/design works, environmental reasons, land issues/delays.
- Where appropriate, revised business plans will need to be resubmitted for approval prior to being confirmed in Year 1 of the programme. No further work should be undertaken until such approval is obtained.
- All budgets should be scheme specific for progression to Year 1.

3.2.3 Land Acquisition

Land acquisition will need to be agreed prior to scheme commencement. Land negotiations are often protracted, particularly on larger schemes involving multiple landowners. Therefore land requirements should be identified as early as possible in the development of a scheme, and the acquisition process will need to be phased in to the overall programme for the scheme. Following acceptance of the scheme onto the five year capital programme, land will need to be acquired within the two years leading up to the scheme entering Year 1. If this cannot be achieved, it will result in the construction phase being delayed and reprogrammed accordingly. In such circumstances this information will need to be reported to the DPWG as soon as possible to enable the five -year programme to be reviewed. **The Service director or Responsible officer will need to ensure that the approval of the Executive Board has been obtained to the scheme underlying the requirement to purchase land prior to commencement of land acquisition procedures.** Advice should be sought from the Corporate Property Section on instigation of CPO procedures where agreement cannot be reached.

3.2.4 Preliminary Survey and Investigation Work

Extensive survey and investigation works will be necessary on some schemes. Therefore the survey work should be identified as early as possible in the development of a scheme, preferably at the scoping/business plan stage. Following acceptance of the scheme onto the five- year capital programme, surveys and investigations will need to be progressed as soon as possible within the two years leading up to the scheme entering Year 1. Revised business plans may need to be submitted depending on the findings of the studies. It may be necessary to delay the construction phase as a result of ongoing survey work. In such circumstances this information will need to be reported to the DPWG as soon as possible to allow the five-year programme to be reviewed. **For construction related projects the appropriate Gateway Manager (Property or Engineering) should be consulted at the earliest possible stage regarding the commissioning of investigations, surveys or desk / scoping studies and preparation of detailed designs and cost estimates.**

3.2.5 Tendering for a Scheme

The procurement process for the larger schemes, particularly where EC Procurement Directives apply, will need to be commenced some time in advance of the schemes entering Year 1 of the programme, although contracts should only be let following annual confirmation of the 5 year programme, and in particular the budget for the forthcoming Year1. It must, however, be borne in mind that E.C. related tenders are only open for acceptance for up to six months and non-EC tenders are open for acceptance for the duration detailed on the tender specification.

Tenders should not be invited until:

- A revised Business Plan has been made where significant changes have occurred or are likely to occur.
- Firm detailed cost estimate exists, and is within the available budget.
- Internal and external funding has been secured.
- Land has been acquired or agreement to enter onto land has been reached where applicable, and accommodation works have been agreed.
- Legal constraints have been addressed.

For construction related projects the appropriate **Gateway Manager (Property or Engineering)** should be consulted at the earliest possible stage regarding the commissioning of construction works from an appropriate Framework Contractor or in house DLO. Where required 'mini competitions' within the appointed Framework Contractors may be necessary. No construction contract should be let outside of the Gateway Process.

A contract should not be let or instruction issued to proceed to construction until:

- The tender price has been accepted, and is within the available budget.
- Confirmation has been received that entry on to land can be made.
- The scheme has been confirmed as being in the Programme in the following year i.e. in the new Year 1.

3.2.6 Retentions

Allowance for the payment of retention money will need to be built into the five-year programme, particularly for the larger schemes. As Year 2 schemes are developed, an estimate of the retention sums can be introduced into the Year 3 business plans. For smaller schemes where retention sums are likely to be small amounts, the retention sums will need to be reviewed by the DPWG. A collective business plan could be made for the smaller schemes for successive Year 3 business plans, which could be refined as it progresses to Year 1. Alternatively specific advice should be sought from the Financial Services Section on how best to deal with the retention, and whether retention sums can be accommodated through scheme specific slippage.

3.3 Monitoring of Capital Schemes/Programmes in Progress or Development

Phase

3.3.1 Key Elements

The key elements to managing the schemes that are in progress are:

- *All approved expenditure is within the agreed budget.*
- *Expenditure and funding is continually monitored.*
- *Financial variations are identified and reported promptly.*
- *Scheme progress is reviewed monthly, with any significant re-phasing or re-profiling identified.*
- *Slippage is identified and reported promptly.*

3.3.2 Responsibilities

The **Responsible Officer** (usually Head of Service-see Section 4) maintains **overall responsibility for the Scheme or Individual Programme of schemes within the five-year programme**, irrespective of whether any duties are delegated to another officer within or outside the Department/Section.

Main Project Budget Managers (MPBM) and Project Budget Managers (PBM) will be appointed by the Responsible Officer, (this could be himself or herself) and may be within or outside the Responsible Officer's Section/Department. These officers are responsible for assisting the Responsible Officer and have specific duties for profiling the budgets and managing schemes.

In addition, further delegation may be made by PBM in appointing Works Order Budget Managers (WOBM) (again may be himself or herself) to take control of specific budgets relating to specific aspects of the scheme e.g. land purchase, design, etc. The WOBM may be within or outside the PBM's Department/Section, and will be responsible for progressing work and authorising payment within the delegated budget. More specific definitions are included in Section 4.

3.3.3 Monitoring Procedure

The monitoring cycle should be in accordance with the following guidance:

- Monthly scheme progress meetings should be held with consultants, technical advisors and contractors as necessary to review individual scheme progress and identify any potential problem that may affect the scheme in terms of slippage, change in phasing or spend profile, and over or under spend. It will be up to each Department/Section to agree the officers' best placed to attend the scheme progress meetings, but these should be at Project or Main project level.
- Capital Monitoring Financial Reports detailing the latest financial position will be distributed to the various WOBM's within 5 days of the end of each month by the Financial Services Section.

- Although reports will be sent out each month, monitoring returns from WOBM's will only be required on a bi monthly basis. These will start in July of each year covering the April to June period and then continue every other month to the end of the year.
- WOBM's are to review the financial report with respect to schemes under their direct responsibility (as delegated by the Project Budget Managers) and update the financial information as appropriate, giving the commitments to the month end, year end and scheme end and identifying any problems. The respective financial reports should then be returned to the Financial Services Section within the allocated time.
- Financial Services section then input this information to the computerised monitoring system. Subsequently, within 5 days, reports will be provided to the relevant Project Managers on their schemes for comments. These comments should be returned to the Financial Services section within a further 5 days.
- In those months where formal monitoring returns are required DPWG will meet in the final week of the month to discuss the latest financial report and scheme progress. The Group will collectively decide on issues relating to the Department's current year programme, slippage, under /over spends, projected outturn costs, virements and changes.
- In those months where formal reports are not required, meetings will be timetabled and it is envisaged that it will allow time to consider PPFs/Business Plans, post investment appraisal and other issues at the discretion of the Chair of each DPWG. The group will also advise and make recommendations to DMT on the 5 year capital programme. More detail is given in Section 4 on the role of the DPWG.
- Financial Services Section to provide reports to DMTs, SASG, Scrutiny and Executive Board/County Council as required.

3.4 Managing Potential Overspends / Under spends on Individual Schemes / Programmes

3.4.1 Virement Between Capital Schemes

There will be occasions when there will be potential overspends on some schemes and potential under spends on other schemes. In this situation virement is allowed subject to the following limits:

- Virement of up to and including **£50k** per scheme within the Departmental Programme to be approved by the Service Director. This authority may be delegated to Heads of Service for their respective service areas. The need to vire will be based on a

recommendation of DMT/DPWG. Note that Financial Services Section will be party to the recommendation as part of the DPWG.

- Virement of over **£50k** up to and including **£100k** to be approved by Head of Financial Services.
- Virement of up to and including **£100k** between Departments within the overall Capital Programme to be approved by Head of Financial Services.
- Executive Board to approve virement above **£100k**.

On all occasions the virement **MUST** be reported to Head of Financial Services/representative as part of the budget monitoring. The figures set out are the maximum allowed for the life of any scheme i.e. the virement limits will apply to any cumulative sums vired over the life of the project/scheme.

3.4.2 Overspends – No Virement Potential

Where a potential overspend is identified either in the **profiling** of the expenditure during a financial year or in respect of the **overall scheme cost** and there is no potential for virement, this must be communicated to the Head of Financial Services, Service Director and the Responsible Officer. The official monitoring form needs to be signed at the monthly monitoring meetings. The Head of Financial Services will prepare a Report for approval by Executive Board detailing:

- the additional expenditure required.
- the reasons for the variations.
- the options to limit the overspend e.g. revise the final specification.
- the funding implications of the overspend.

3.4.3 Underspends – No Virement Potential

Where a potential under spend is identified either in the profiling of the expenditure during a financial year, or in respect of the overall Scheme cost, and there is no potential for virement, this must be communicated to the Head of Financial Services, Service Director and the Responsible Officer, to enable decisions to be made in relation to accelerating other schemes approved in the Five-Year Capital Programme. The official monitoring form needs to be signed at the monthly monitoring meetings. However, before a scheme can be recommended for acceleration, an updated firm cost estimate and business plan must be in place. In addition, the feasibility and/or detailed design must be sufficiently advanced, and the scheme must not exceed the approved budget.

3.4.4 Slippage

Similarly, where there is slippage in a scheme due to legitimate reasons, the Head of Financial Services may, following consultation with the DPWGs, sanction acceleration of any scheme approved within the 5 year capital

programme, where the accelerated scheme has detailed contemporary cost estimates, where business plans have been produced and where the design is sufficiently advanced. The expectation would be that the department whose scheme is accelerated will 'pay back' the department whose scheme is deferred in the relevant future year. **However it should be noted that a scheme can only be accelerated if the Year 1 project to be deferred has not been partly committed. If a scheme is deferred, it should then be acknowledged that there is a risk that the deferred scheme may not go ahead if the Council changes its Capital Programme priorities for the relevant future year.** To initiate this, the official monitoring form needs to be signed at the monthly monitoring meetings.

3.5 Post Investment Appraisal

On completion, schemes will need to be reviewed and reported on in order to identify possible improvements to assist future Capital Schemes, and to assess the outcomes against the original business plan.

The Responsible Officer (or officers as delegated by the Responsible Officer) will prepare a Post Investment Appraisal on completion of a scheme, and this will be reported to the DPWG.

The timing of the review will depend on the nature of the scheme. It should generally be undertaken one year after completion of the scheme so as to allow sufficient time for the scheme to become fully functional to enable a fair assessment of the business plan criteria to be made.

Any recommendations emerging from these reviews that are deemed beneficial to the capital process will be reported to SASG for further consideration.

4. ROLES AND RESPONSIBILITIES

County Council

- Approve the five-year Capital Programme and its funding.

Executive Board

- Endorse the 5-year Capital Programme and its funding, and make recommendation for approval to County Council.
- To monitor the Capital Programme throughout the year.
- Approve virement above £100k between individual schemes.

Scrutiny Committees

- Express views on the prioritised five-year Capital Programme as part of the consultation process.
- To receive and scrutinise the quarterly capital expenditure/progress reports.
- To make recommendations to Executive Board on any issues relating to the Capital Programme that need to be addressed.

Corporate Management Team (C.M.T.)

- Recommend to Executive Board a prioritised 5-year Capital Programme.

Strategic Assets Steering Group (SASG)

- To develop and maintain on a rolling basis a longer-term 'vision' of the capital investment requirements of the authority, together with the likely funding (with the exception of Housing Revenue Account capital expenditure).
- To provide recommendations and options for future capital program priorities.
- To co-ordinate the development of the Corporate Asset Management Plan and other asset management plans.
- To oversee the Capital Maintenance Strategy.
- To explore and identify potential alternative funding sources.
- To develop and control the Managing Capital Document.
- To promote best practice in capital and project management.
- To contribute to the Making Better Use of Resources Thematic Group.
- To establish Working Groups to undertake detailed work, as necessary.

Departmental Management Team (DMT)

- Consider departmental PPFs and Business Plans put forward by Departmental Project Working Group.
- Prioritise PPFs/Business Plans and recommend to SASG via Financial Services Section.
- Review "in-year" recommendations made by DPWG as a result of changes to programme or predicted outturn costs, including virements.

Corporate Director

General budgetary responsibilities are contained in the Budget Manual and the following applies specifically to the Capital responsibility of the Director:

- Review and approve PPFs/Business Plans for Departmental Programme.
- Identifies Responsible Officer for the Scheme(s) (normally a Head of Service).
- Identifies a departmental representative on SASG.
- Approves virement between departmental schemes up to £50k per scheme.

Director of Resources

- Lay out the funding consequences of the five-year programme and the effect on the Prudential Indicators.

Head of Financial Services

- Collates, estimates and reviews methods of financing the capital programme
- Monitors the Council's Capital Programme during the year based on expenditure reports provided by the Responsible Officer or Budget Managers via DPWG.
- Advises Executive Board on potential overspends, under spends or slippages on individual schemes.
- Provides Responsible Officers with monthly reports on actual spend, and discusses at DPWG.
- Prepares Reports for consideration by SASG on progress with the Capital Programme, including spending variation.
- Approve virements of between £50k and £100k.
- Approve virements of up to £100k between departments.
- Provides reports to CMT, SASG, Scrutiny and Executive Board on capital spend.
- Approves inter year movement of schemes as necessary.

Responsible Officer **

General budgetary responsibilities are contained in the Budget Manual and the following applies specifically to the Capital responsibility of the Responsible Officer:

- Preparation of a PPFs / Business Plans.
- Project Management, monitoring of performance against the Business Plan, reporting to the DPWG and Head of Financial Services on a monthly basis.
- Financial Control. (expenditure and income).
- Reporting of Scheme variations promptly to DPWG and Head of Financial Services.
- Attending meetings of SASG.
- Preparing Post Investment Appraisals.
- Sanctioning the acquisition of land required for capital schemes.
- Delegation of duties listed above and the nomination of Main Project Budget Managers (MPBM), Project Budget Managers (PBM) and Works Order Budget Managers (WOBM) as appropriate, while maintaining **overall responsibility** for the project and budget.

- Report progress and budget position to Scrutiny on a quarterly basis.
- Heads of Service may approve virements up to £50k for schemes within their service area, subject to this authority being delegated by their respective Service Directors.

****A Responsible Officer will primarily be at Head of Services level but may also be designated by the Corporate Director.**

Main Project Budget Manager(s) (MPBM) and Project Budget Manager(s) (PBM).

The Responsible Officer may delegate budget responsibilities to a Main Project Budget Manager (e.g. for a programme comprising of a number of individual projects). The Main Project Budget Manager may nominate Project Budget Managers for individual projects within the main programme. These Budget Managers may be within or outside the Responsible Officer's Section/Department. Duties will include:

- Assist the Responsible Officer in the preparation of budget estimates.
- Authorise expenditure against budgets with the exception of those that have been delegated to Works Order Budget Managers (WOBM).
- Monitor expenditure and income on Works Order Budgets.
- Be responsible for all goods and services ordered against their own budgets, even where the administration of such ordering has been delegated to others.
- Profiling of budgets to facilitate monthly monitoring.
- Reporting to Responsible Officer/MPBM on performance against budgets.

Departmental Project Working Group (DPWG)

The DPWGs have been set up to monitor and report on their respective Departmental capital programmes. Their terms of reference as agreed by SASG are as follows:

- To identify, initiate, develop and manage the Directorate's medium and long term Capital Programme and externally funded revenue projects, in line with the parameters set by SASG.
- To oversee the monitoring of the Department's capital and revenue projects and resolve prioritisation and seek virements where necessary within the allocated budgets for the Department.
- To engage with the External Funding Working Group to explore and secure sustainable funding sources.
- To champion best practice in project management in the Department. To implement and ensure compliance with the Council's Project Management Procedures and Policies.
- To champion good practice in grants compliance ensuring the Grants Compliance Project Manual and other policies and procedures are adhered to.
- To make recommendations to remedy any project over or under spends and escalate budget or compliance issues to SASG or DMT, where necessary.
- To ensure Capital Expenditure is managed in compliance with the Council's Managing Capital Document.

- To provide the forum for the Directorate's link with the Council's Strategic Assets Steering Group.
- To meet formally in accordance with the Project Working Group Monitoring timetable.
- To input into the development of the Corporate Asset Management Plan and Service Asset Management Plans.

Chair of Departmental Project Working Group

- Ensure that all recommendations of DPWG in respect of virements/slippages are properly recorded and that minutes are kept of all decisions.
- Provide an update report at SASG of any issues arising at the DPWG.
- To raise any issues from DPWG with the Corporate Director/ Heads of Service at DMT.