

ABERDEEN CITY COUNCIL

COMMITTEE	Finance, Policy & Resources Committee
DATE	26 September 2013
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Capital Programme Management – Proposed Changes
REPORT NUMBER:	EPI/13/176

1. PURPOSE OF REPORT

To seek approval of the recommended changes to the management of the Capital programme to take account of the Audit Scotland report – ‘Major Capital Investment in Councils’.

2. RECOMMENDATION(S)

It is recommended that the Committee approve the following changes to the capital programme process:-

1. Projects will only be considered for possible inclusion in the Capital Programme when up to date business cases, which comprehensively address the various component elements of the proforma and particularly take account of the value of the project to the Council’s overall priorities are submitted.
2. In the event that Elected Members add projects to the programme that have not been subject to normal business case procedures, a full business case should be completed by officers as soon as reasonably practical and submitted for approval by the relevant service committee.

And

3. Note the other listed actions approved by the Corporate Asset Group.

3. FINANCIAL IMPLICATIONS

There are no specific financial implications flowing from this report other than the adoption of recommended best practice.

4. OTHER IMPLICATIONS

Projects not supported by appropriately detailed business cases may not be included within the capital programme or their inclusion may be delayed or authorisation to spend may be delayed.

5. BACKGROUND / MAIN ISSUES

Audit Scotland published a report in March 2013 entitled 'Major capital investment in Councils', which was a cross Council review of completed capital projects with a value greater than £5m. The audit and the associated documents can be viewed at:-

<http://www.audit-scotland.gov.uk/media/article.php?id=229>

Officers from Asset Management and Finance were tasked with reviewing the findings from the audit, as well as assessing our compliance with the good practice guide, which was produced by Audit Scotland to complement the findings. The guide has a checklist featuring a number of headings, which officers used to identify areas in which the capital process could be improved.

A report recommending a number of changes to the Capital process was submitted to the Corporate Asset Group on 26 August 2013, with the recommendations being approved with some minor changes.

Audit Scotland Recommendations and Proposed Actions

The specific Audit Scotland recommendations were:-

“Project costs are built up in a consistent manner, including specific risk and optimism bias allowances and realistic construction inflation costs.”

and

“The project scope and finances are developed in detail prior to authorisation to spend is sought.”

On occasion projects have been included in the capital programme which have been costed without taking into account any risk or inflation factors. Projects that are based on (often out-dated) probable costs should no longer be considered – this leads to the potential for a high probability of actual costs exceeding the estimate, potentially putting additional pressure on the overall programme.

It is recognised that the level and quality of financial information available over the lifetime of a project from initiation to completion will naturally evolve in terms of cost and phasing detail. Measures should be taken to substantiate cost estimates based on the strongest evidence available at decision making stages, with a clear indication of

risk and sensitivities in respect of these costs with contingencies identified. Project reviews should clearly set out any change control measures in respect of costs at the key project stages.

To ensure compliance with the Audit Scotland recommendations the Committee is asked to approve recommendations 1 and 2. These are not specific recommendations from the Audit Scotland report but have been formulated to ensure our processes and practices are in keeping with the expectation set out in the review document.

CAG Approved Actions

In addition to recommendations 1 and 2 the following actions were approved by the Corporate Asset Group:-

- All major capital projects over £1,000,000 will be subject to a review of scope, specification and costs before being legally committed.
- Each project requires to be reviewed at key milestones by its Project Board taking into account the aims of the project and where it currently is in relation to those aims. Spend to date and out-turn costs must be compared against the original project plan. The Project Sponsor should ensure that the business case is updated and reported for monitoring purposes of the project's delivery.
- Capital projects will be instructed to manage risks in line with the approved risk management framework.
- The Corporate Asset Group will undertake a quarterly review of progress of projects and key risks identified by project and overall for the Capital Programme.
- Project Sponsors need to ensure that designated budget holders are competent and qualified to ensure compliance with the capital procedure. This can be delivered internally using existing resources.
- The financial and budget holding roles of project managers need to be aligned with the wider range of project management competencies including work package planning, stakeholder and client relationship management and managing multiple projects since this range of skills works together to support successful project delivery.
- Modify the business case template to make identification of key milestones a mandatory step and allow project progress to be tracked.

These will be implemented by appropriate officers and the overall process will continue to be reviewed on an ongoing basis.

6. IMPACT

Corporate – The implementation of these recommendations/actions will assist in ensuring sound capital investment that supports the Single Outcome Agreement and Smarter Aberdeen.

Public – The sound management of the Capital Programme will ensure the delivery of projects that will improve service delivery.

7. BACKGROUND PAPERS

Property Asset Management Plan 2012
Corporate Asset Management Plan 2013
Major Capital Investment in Councils – Audit Scotland

8. REPORT AUTHOR DETAILS

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