

ABERDEEN CITY COUNCIL

COMMITTEE Finance & Resources

DATE 28 January 2010

DIRECTOR Gordon McIntosh

TITLE OF REPORT Capital Planning – Non Housing

REPORT NUMBER: EPI/09/127

1. PURPOSE OF REPORT

As part of the approved Property Asset Management Plan the Corporate Asset Group was instructed to complete a Capital Prioritisation Process and Procedures. This report details a draft Process and Procedures for consideration.

2. RECOMMENDATION

It is recommended that the Committee approves the amended Capital Prioritisation Process and instructs the Director of Enterprise Planning & Infrastructure to commence its implementation for 2011/12, with regular reports to this Committee.

3. FINANCIAL IMPLICATIONS

The implementation of this Process will further imbed Asset Management into the City Council, ensuring that all draft proposals for capital funding are scutinised in a robust manner. Furthermore the implementation of option appraisals and whole life costing will ensure that all capital and revenue costs have been identified (as far as practical) for the whole life of the asset.

4. SERVICE & COMMUNITY IMPACT

The Process is closely tied to the implementation of Service Asset Management Plans, ensuring that all bids for capital funding must be able to identify direct linkage to improvements to service delivery and the utilization of the proposed asset.

5. OTHER IMPLICATIONS

There are significant staff resource implications with the development / implementation of this Process, particularly, in the first instance, within Enterprise Planning & Infrastructure. The Director is aware that, following the appointment of the Heads of Service, as part of the structural changes that will be necessary, appropriate personnel will have to be tasked with managing the Process and associated Procedures. There may also be a requirement to reprioritise staff resources to undertake the necessary tasks. All such staff will require training,

and this is currently being discussed with CIPFA Property who assisted in drafting the Process.

Thereafter all staff from other Services who have to implement the Procedures will have to be appropriately trained. Discussions are also underway with CIPFA Property to identify the different levels of training packages that can be put in place.

6. REPORT

6.1 The Resources Management Committee on 16 June 2009 approved the City Council's Property Asset Management Plan (PAMP), instructing the Corporate Asset Group to implement and develop the Plan. The Committee instructed that the Group report to the next Committee Meeting on the progress of completing the Capital Prioritisation Process and Procedures detailed within the PAMP.

6.2 The Asset Group have subsequently developed, with the assistance of CIPFA Property a draft Capital Prioritisation Process and Procedures, which seeks to improve how the City Council manages the Capital Planning Process following on from the weaknesses identified in the PAMP:-

"The Council does not, as yet, have a formally adopted capital prioritisation process in place. In the recent review of Asset Management referred to earlier this was identified as an area of weakness that needed to be addressed as a matter of urgency. The Corporate Asset Group has responsibility for moving this forward and a prioritisation process has been developed that is a structured process to ensure that capital projects are proposed and approved in a rational manner for inclusion in the Capital Programme. By adopting this process there will be some surety that projects are not introduced and subsequently progressed on an ad hoc basis or to satisfy the demands of an influential member or Officer.

The Council has not yet fully adopted the principles of whole life costing as a matter of routine. It is our intention to include a whole life appraisal as part of future large construction projects. We will be exploring the whole area of whole life appraisal as part of delivery against our Sustainable Vision Statement and in order to prepare for the climatic changes of global warming.

The Council does not currently have a formally adopted process of option appraisal for projects; however work is currently on going on formulating an option appraisal approach that will meet Aberdeen's need. In the future the Council will require the use of option appraisal techniques as a key element of preparing a Business Case for a project.

Robust project management is essential to ensure projects are delivered on time, to budget and to the agreed specification. Training and processes are being introduced to ensure that in-house project management is effective

and to ensure that the likelihood of programme slippage and cost overrun is reduced on projects. There is no formal process in place for capital projects for post project review, and the new procedure will rectify this situation.”

6.3 The proposed Capital Prioritisation Process and Procedures is attached as Appendix 1. It seeks to regularise all future bids for capital funding including improving the monitoring of capital projects and the post evaluation of completed projects. Improvements include the proposal that the Corporate Asset Group become responsible for:-

- Initial review of the proposed scheme and sources of finance for each scheme;
- Priority re-scoring of Capital Bids
- Approval or rejection of Capital Bids where the criteria is not met;
- Timescales for the preparation of reports to members;
- Consultation on the preparation of reports to members;
- Review proposed new emergency in year schemes, and make recommendations to the Corporate Management Team and Council for the inclusion of such new schemes in the Capital programme
- Review and challenge slippage and variance in the Capital Programme
- Review closure and outcomes of completed capital schemes, and to prepare and present regular reports to the Corporate Management Team and elected members as appropriate.

6.4 It is recommended that the staff within Enterprise Planning & Infrastructure take specific responsibility for the following areas of work:-

- Monthly progress of each scheme, with comments relating to expenditure to date, anticipated completion date and projected outturn position to be provided to the City Chamberlain;
- Review closure and outcomes of completed capital schemes;
- Quarterly monitoring of expenditure of all capital schemes within the Capital Programme, and the preparation of quarterly update reports to the Corporate Management Team and elected members;
- Review of proposed new emergency in-year schemes, and make recommendations to the Corporate Asset Group for the inclusion of such schemes in the programme
- In conjunction with the City Chamberlain a detailed review the appropriate source of finance for each scheme;
- Review and challenge slippage and variances in the Capital Programme;
- Review closure and outcomes of completed capital schemes, and to prepare and present regular reports to the Corporate Management Team and elected members as appropriate

6.5 One of the main changes that is proposed is the introduction of a clear Options Appraisal process which will include Whole Life Costing. The Appraisal process for larger projects will be based upon the “Green Book”

which is HM Treasury's Option Appraisal for all Capital Projects. Furthermore Whole Life Costing will ensure that the long term revenue costs are evaluated, allowing the Council to consider potentially approving an option which whilst costing more initially, from a capital point of view, may have significant reduced revenue costs through out its projected life.

- 6.6 A specific requirement of the Process is that the roles of the project Manager for the specific project from a Service will be identified and that there would be clarity with how that individual interacts with personnel within Enterprise Planning & Infrastructure who have responsibility for the overall management of the Capital Programme.
- 6.7 The Process details a timetable for the future management of the capital process:-


Report	Key dates
Discussions with Directors / Key Members	June
Completion and submission of Capital Pro forma to SMTs	July
Submission of Capital Business Case to the Corporate Asset Group	September
Report to CMT	October / November
Report to Council as part of overall budget setting process	December
Quarterly reports to Cabinet and Scrutiny Board	July / October / January and May (outturn)


- 6.8 It is suggested that future Capital Programmes from 2011/12 follow the new Process, and that if approved the new process and Procedures would commence immediately with all bids for 2011/12 adhering to the Process and the above timetable.
- 6.9 This Report was considered by CMT on 14 January 2010, who approved its recommendation and that the Report be submitted to this Committee for consideration.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

Aberdeen City Council's Property Asset Management Plan 2009/10