

Report to Capital Programme Working Group 20th January 2006

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Suggested Mechanism for Consideration of Capital Programme Bids

1.0 Background

- 1,1 At our last meeting on 25th November 2004 we discussed the need to review the mechanism for considering Capital Programme bids. We agreed that such a mechanism should focus on corporate priorities and should stand up to scrutiny. In addition, such a mechanism should be simple to operate and not be unwieldy to use.
- 1.2 Our existing mechanism (attached), which is incorporated in the Council's Capital Strategy, is a useful reminder of the issues that should be considered when looking at the bids. Unfortunately, we haven't developed this mechanism and I believe we need to set a number of sequential tests in order to determine which bids are to succeed.
- 1.3 No mechanism should be hard and fast but should simply be used as a guidance tool to help decision-making. I think a scoring mechanism would be too cumbersome.
- 1,4 From the discussion at our last meeting, I suggest that we ask a series of questions and to see how far down the list the applications are able to progress. The applications that are able to satisfy all of these questions are most likely to succeed.

Question 1

Is this project a capital or a revenue project?

Those schemes that are actually revenue proposals are going to fall at the first hurdle and should be considered as part of the annual budgeting process. The acid test is whether the scheme involves "oneoff" expenditure on assets or whether it requires an annual allocation of expenditure.

Question 2

Is this project necessary as a statutory obligation and/or is it a corporate priority?

We discussed the fact that it is not sufficient to simply argue *that such* a bid is a priority for either of these reasons. In both cases evidence should be provided in order to support the bid.

If the project is driven by statute, what statutory provision is being relied upon? Has the author obtained proper advice? Have Legal colleagues given a view on whether this scheme is necessary or is this merely the author's interpretation of what they believe is a *statutory requirement?

If the project is a corporate priority, where is the evidence to back this? Have corporate priorities changed in the meantime? Again, reference can be made to evidence in the form of strategies, Cabinet reports and corporate Management Team decisions. Clearly, these processes should be linked to delivering key corporate objectives.

Question 3

Does the project have a strict timetable that requires early capital expenditure and what is the risk of not undertaking this project within this timescale?

Again, this needs to be evidenced.

The project needs to be risk assessed and the author should indicate the likely penalty for not delivering the project on time. Is this likely to lead to financial losses, service delivery failure, legal action or complaints?

Question 4

How firm are the costs of this scheme?

Has the applicant any evidence that this project is going to be kept within cost?

Have any costings been obtained or is this guesswork?

Question 5

Is this project likely to generate more income to the Council or is it more likely that it obligates the Council to future expenditure?

It is not necessarily a bad thing to tie the Council into a long-term financial commitment provided that the Council can afford to do this and the benefits from the project are worthwhile. However, as a general rule, schemes that secure external funding or generate income may be more likely to succeed.

Again, where is the evidence? Has the applicant demonstrated that this issue has been thoroughly considered?

Question 6

Is this project helping towards meeting the Council's performance targets?

Are there SMART service delivery targets or performance indicators that rely on corporate capital investment? (The likelihood of whether capital funding is likely to be allocated should be considered at the time that the target is set. However, as the Council is striving to be an excellent Authority it has to put its money where it's mouth is - literally).

Question 7

Has the applicant demonstrated to the team that they have researched these issues thoroughly and that they have the resources to effectively deliver the project?

As a final point, it is probably worth looking at all these questions collectively and to determine whether there are any weaknesses in the submission that need to be addressed now or whether these can be rectified later.

1 would welcome your views on whether this is a reasonable methodology to adopt.