



REPORT of DIRECTOR OF RESOURCES

**to
OVERVIEW AND SCRUTINY COMMITTEE
4 OCTOBER 2017**

PROJECT UPDATE – PROCUREMENT AND DELIVERY OF THE 2016 / 17 CAPITAL PROGRAMME

1. PURPOSE OF THE REPORT

- 1.1 To update Members on the Overview and Scrutiny Committee project reviewing the procurement and delivery of the 2016 / 17 Capital Programme. This report contains three key interim findings with recommendations to be implemented immediately in advance of the 2018 / 19 budget setting process.

2. RECOMMENDATION

That the contents of this report be noted.

3. SUMMARY OF KEY ISSUES

- 3.1 This report is for Members' information only.
- 3.2 This purpose of this project has two key themes; the first element is to review the overall delivery of the 2016 / 17 capital programme to fully understand why the capital programme underspend by approximately £900,000 when these schemes were approved on the basis it was essential that they were delivered in 2016 / 17. The second element is a review of the procurement and delivery of Project 180 (also known as St Cedd's and car park). Project 180 overspend in total will require approximately £60,000 of expenditure in addition to what was originally budgeted.
- 3.3 **Size of Capital Programme 2016 / 17**
- 3.3.1 The 2016 / 17 Capital Programme approved by the Council on 4 February 2016 consisted of schemes to the value of £889,000. All of these schemes were deemed to be essential due to service failure implications or were included in the capital programme as they offered the potential to generate additional revenue streams for the Council. In itself the level of this capital programme should have been deliverable considering the resources available.
- 3.3.2 However, due to underperformance of the 2015 / 16 capital programme additional schemes to the value of an additional £1.3m were added to the scheme. This then created a capital programme of approximately £2.2m which included in excess of 30 different schemes, the large majority sitting with the Customer and Communities

directorate. Looking back, it is clear to see that the resource in place within this directorate was never sufficient to deliver this level of capital expenditure.

3.4 **Monitoring and Review**

3.4.1 Review of the 2016 / 17 reports represented to the Finance and Corporate Services Committee demonstrated that Capital Expenditure was reported to the members on 26 September 2016 and 29 November 2016 but was not reported after this date and there is no evidence that the Capital Programme was reviewed by Members after this date. At the end of November, a number of projects had not yet been started and therefore it could be concluded that these would not be delivered by year end.

3.4.2 Quarterly reviews should take place with lead officers for each project, where schemes are not deliverable by the end of the year they should be removed from the capital programme and re-bid for in the following year. The Council has foregone investment income due to cash flows being held for schemes that would not be delivered in 2016 / 17.

3.5 **Estimations and Professional Fees**

3.5.1 Where a project involves construction a professional estimator should be used at the time of the requesting the budget to ensure that the level of expenditure approved in the budget process is sufficient to deliver the project. In addition a contingency should be employed as agreed by the professional estimator.

3.5.2 This did not take place on the St Cedd's car park project and very early in the procurement process it was identified that sufficient budget had not been allowed for in the business case when officers estimated the level of budget required.

4. **CONCLUSION**

4.1 Officers continue to complete the detailed review of this project with the final report coming to Overview and Scrutiny Committee in December 2017.

5. **IMPACT ON CORPORATE GOALS**

5.1 This report links to the corporate goal of 'delivering good quality, cost effective and valued services'.

6. **IMPLICATIONS**

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None
- (iii) **Impact on Risk** – None
- (iv) **Impact on Resources (financial)** – Accurate allocation of capital funding enables maximum investment income to be obtained.

- (v) **Impact on Resources (human)** – Within existing resources.
- (vi) **Impact on the Environment** –None

Background Papers: None.

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