

PERTH AND KINROSS COUNCIL

Strategic Policy and Resources Committee

20 April 2016

**MAJOR CAPITAL INVESTMENT IN COUNCILS FOLLOW UP, ACCOUNTS
COMMISSION REPORT JANUARY 2016****Report by the Depute Chief Executive, Environment (Sustainability, Strategic
and Entrepreneurial Development)**

This report provides a summary of the Accounts Commission “Major capital Investment in Councils Follow Up” report published in January 2016 (a copy of the report can be found [here](#)). The report summarises The Accounts Commission’s findings and recommendations and provides an update on the good practice within Perth and Kinross Council in relation to capital investment.

1. BACKGROUND

- 1.1. The Accounts Commission “Major capital investment in councils” report was published in March 2013. This was the first comprehensive review of major capital investment in all councils across Scotland and assessed how well councils direct, manage and deliver capital investment.
- 1.2. In response to the March 2013 report a joint status report and action plan was submitted to the Strategic Policy and Resources Committee on 12 June 2013 by the Depute Director (Environment) and the Head of Finance: the actions in this plan have been completed.
- 1.3. In early 2014 an audit of the Council’s capital programme was undertaken by Internal Audit. This audit found the strength of internal controls to be moderate and provided ten improvement action points: these action points have been completed.
- 1.4. In June 2014 Audit Scotland published ‘Perth and Kinross Council Major capital investments in councils: A follow up report’. This report noted the progress made by the Council to adopt the recommendations of the original March 2013 Accounts Commission report.
- 1.5. In early 2015 an audit of corporate capital projects was undertaken by Internal Audit. The audit found the strength of internal controls to be moderately strong and provided six improvement action points: these action points have been completed.
- 1.6. The Accounts Commission report ‘Major capital investment in councils follow-up’ report, was published in January 2016 (and can be found [here](#)). This reviews the current position and assesses improvements since the original report of March 2013.

2. ACCOUNTS COMMISSION KEY FINDINGS

- 2.1. The Accounts Commission notes that the 'Follow up' report findings are derived from a targeted follow up audit utilising baseline assessments performed by councils' external auditors during 2014/15 and by more detailed evaluation at a sample of eight councils (Angus, City of Edinburgh, Dundee, East Ayrshire, Fife, Highland, Inverclyde and South Lanarkshire).
- 2.2. The Accounts Commission report notes that councils have taken a range of actions in response to the recommendations of the 2013 report. These have included implementing revised structures to help them manage and monitor capital investment activity more effectively. The report notes that while there are examples of some councils displaying aspects of good practice, overall, there is a need to increase the pace of improvement to comply fully with the 2013 good practice guide
- 2.3. The report recommends that councils need to improve the quality of their capital investment strategies and plans. The strategies which exist demonstrate how planned capital investment is expected to contribute to councils' overall strategic priorities. However, only just over a third of councils have a long-term capital investment strategy in place and these do not identify opportunities for collaboration with other bodies.
- 2.4. The report notes that all councils have a capital plan outlining expected programme and project costs. However, these plans do not set out the rationale for prioritising and progressing major projects, and the expected benefits of these projects. The report notes that some councils choose to not have a separate capital investment strategy and plan, instead they combine the features of both in a single document. The Accounts Commission view is that these rarely demonstrate how capital investment contributes to councils' strategic objectives.
- 2.5. The report notes that there are some examples of where councils have improved their structures and processes to help them manage and monitor capital investment activity more effectively. However, it recommends that further work is required to comply fully with the 2013 good practice guide. This includes developing processes to routinely revisit and review business cases throughout the life of every capital project and undertaking formal mid-term reviews of projects, or post-project evaluations.
- 2.6. The report notes that elected members are not able to scrutinise the performance of capital programmes effectively because they are not receiving adequate information on capital investment. It further notes that the majority of councils' progress reports to elected members on major capital projects focus on reporting capital spending in the current financial year. It recommends that capital programme reporting be developed to include cumulative capital spending, covering several years, against the total capital budget for individual projects.

- 2.7. The report notes that councils do not routinely report to elected members project risks or non-financial information, such as the benefits realised from capital investment activity. It recommends that capital programme reporting be developed to include this information and further that councils develop a continuing programme of training on capital issues.

3. PERTH AND KINROSS COUNCIL – CURRENT POSITION

- 3.1. The Council has an approved 7 year (2015/16 to 2021/22) general fund capital programme totalling approximately £278 million. This is reviewed on an annual basis and approved by Council as part of the capital budget setting process. Decisions are taken following a business case approach which are assessed against key criteria which allow for scrutiny of all elements of proposed projects including overall affordability.
- 3.2. To ensure relevancy these criteria are routinely reviewed. The latest version, approved by the Strategic, Policy and Resources Committee on 23 September 2015 (Report 15/396 refers), includes alignment to corporate plan objectives, legislative/statutory obligations, partnership and leverage and asset management planning. The criteria also consider resource efficiency, impact on communities and community co-production, economic development opportunities, sustainability, inclusion and equality, risk assessment and additional impact on revenue budget, impact on geographical locality and opportunities to utilise technologies.
- 3.3. The Council has a 5 year Housing Revenue programme (2016/17 to 2020/21) totalling £74.9 million approved by the Housing and Health Committee on 27 January 2016 (Report 16/28 refers).
- 3.4. The Council has established a Strategic Investment Group to provide senior officer support, challenge and scrutiny to all areas of capital programme delivery.
- 3.5. The Council has established the Capital Programme Office to provide officer support, challenge and project monitoring. The Capital Programme Office supports individual service Senior Management Teams to scrutinise their areas of the capital programme.
- 3.6. The Council has an established process for monitoring and reporting the capital programme. Information on all aspects of projects is captured through a project specific Capital Monitoring Sheet. All capital programme projects are reviewed on a monthly basis with financial and progress information being reported to Services, the Corporate Resources Group and to the Strategic Investment Group.

- 3.7. Quarterly reports on the progress of capital programme delivery are provided to the Strategic Policy and Resources Committee. These reports provide updates on projected expenditure on individual capital projects and programmes with explanatory narrative for projects which are slipping or accelerating against their project plan.
- 3.8. The Council has undertaken a comprehensive review of the governance and management of the capital programme and is updating its processes, guidance and management tools accordingly.
- 3.9. The Council has approved the adoption of twelve key programme milestones to assist in the management of the whole life of a project. These milestones complement existing technical delivery models and allow for common reporting across all projects within the capital programme.
- 3.10. As part of the review of the Council's position, the examples of good practice referred to in the report have been considered and the position of Perth and Kinross Council compares favourably with these.

4. PROPOSED IMPROVEMENT ACTIONS

- 4.1. The Accounts Commission report highlights the improvements Councils have made since the publication of the 'Major capital investment in councils' report in March 2013. The report also highlights those areas which The Accounts Commission believes require further work, specifically in the areas of: investment strategy; project governance, development and review; appropriateness and level of information being provided to elected members and the level of elected members' training on capital investment.
- 4.2. Appendix 1 to this report summarises the Council's current position in relation to the three key recommendations within the Accounts Commission report and where required proposes improvement actions for each recommendation.

5. RECOMMENDATIONS

- 5.1. It is recommended that the Council:
 - (i) approves the Council's current position in relation to the recommendations contained within The Accounts Commission report (Appendix 1)
 - (ii) notes the Accounts Commission report "Major capital investment in councils follow-up" (Appendix 2)

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	None
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i). Giving every child the best start in life;
- (ii). Developing educated, responsible and informed citizens;
- (iii). Promoting a prosperous, inclusive and sustainable economy;
- (iv). Supporting people to lead independent, healthy and active lives; and
- (v). Creating a safe and sustainable place for future generations

- 1.2 This report relates to all these objectives.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications arising from this report.

Workforce

- 2.2 There are no direct workforce implications arising from this report

Asset Management (land, property, IT)

- 2.3 There are no direct asset management implications arising from this report

3. Assessments

Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as not relevant for the purposes of EqIA.

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

Internal

- 4.1 The Strategic Investment Group have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

There are no background papers in relation to this report.

3. APPENDICES

Appendix 1 – Improving capital programming in Perth and Kinross

Accounts Commission Key recommendation	Perth and Kinross current position	What are we doing to improve?	Timescale
Councils should:			
Develop and confirm long-term investment strategies to set out the needs and constraints for local capital investment and consult with stakeholders, such as service users and suppliers as they develop these strategies	The Council has an approved 7 year Capital Programme to deliver agreed priorities, which is annually reviewed.	The Accounts Commission report will be used to continue to inform the capital budget setting process.	Complete
	The current Capital Investment strategy is primarily focussed on resource management.	A review of the current investment strategy approach is to be considered as part of the Overview report on the Capital budget to Council in June.	June 2016
Councils should ensure that they:			
Prepare business cases that comply with good practice for every capital project	The Council has an approved business case template which is based on the HM Treasury 5 case model, (approved by Strategic Policy and Resources Committee 23/09/2015). These were used as part of the OBC process for the capital programme update.	All proposals submitted as additions to the Capital Programme through the next capital bidding cycle will use the approved business case template. Monitoring of the implementation of the template will continue to assess its relevance and suitability.	Ongoing
Revisit and monitor business cases throughout every capital project	The Council's approved business case template is designed as an incremental document which will be developed during the life of the project. Regular monitoring of projects alongside the introduction of standard programme milestones provides the opportunity for regular reviews of project business cases.		Complete – forms part of Capital Programme monitoring process
		Elected members are provided with the most up to date versions of business cases.	June 2016

Accounts Commission Key recommendation	Perth and Kinross current position	What are we doing to improve?	Timescale
Regularly carry out post-project evaluations to help establish whether planned benefits are realised and to identify good practice or lessons learned	The Council's approved business case template has sections to capture the details of benefits realisation and post-project implementation review.	All projects within the Capital Programme utilising the approved business case template will continue to be monitored to ensure the relevant sections – to allow for effective post-project evaluation – are completed.	Ongoing
	The Council's project management toolkit contains guidance and templates for project lessons learned	The Council's project management toolkit is regularly reviewed to ensure it remains fit for purpose. The latest version is scheduled for release this year. This will include post project evaluation to ensure greater consistency.	June 2016
	It was recognised that the methodology for undertaking post-project implementation reviews is not consistent across the Council. SIG in October 2015 instructed that all post project evaluations be submitted to the Capital Programme office for review and summary update to SIG.	Post-project evaluations have been incorporated into the latest revision of the project management toolkit for the Capital Programme	June 2016

Accounts Commission Key recommendation	Perth and Kinross current position	What are we doing to improve?	Timescale
Consider how best to review projects at key stages, using independent experts as necessary, to help provide assurance about project progress and to identify any potential problems	The Council currently undertakes regular monitoring of the Capital Programme. Four capital monitoring reports are submitted to Strategic Policy and Resources Committee each year. These provide members with an overview of spend to date along with financial re-phasing of projects.	A formalised process for undertaking key stage reviews appropriate to the scale of individual projects is being developed.	December 2016
	The Council has approved twelve standard key milestones for all Capital Programme projects which allows the opportunity to undertake regular reviews to identify any potential problems		
	Specific performance issues on individual projects are reported to Service Committees and Strategic Policy and Resources Committee as appropriate.		
	The SIG scrutinises all strategic investment projects.		

Accounts Commission Key recommendation	Perth and Kinross current position	What are we doing to improve?	Timescale
Are proactive in sharing lessons learned from projects, both successful ones or those that ran into significant difficulties, within the organisation and with other councils.	The Council currently undertakes lessons learned reviews on a project by project basis.	Further work is required to share good practice across the Council. A sharepoint will be established to host these lessons learned.	June 2016
Councils should ensure that they provide elected members with regular, appropriate and accurate information to allow them to scrutinise properly capital investment activity. Within this, councils should ensure that they:			
Develop their capital monitoring reporting to include:			
<ul style="list-style-type: none"> cumulative spending against total capital budget and the progress of each significant project against its key milestones 	The Council has a well-established reporting routine. Four capital monitoring reports are submitted to Strategic Policy and Resources Committee each year. These provide members with an overview of projects' budget, spends to date, projected outturns and any financial re-phasing of projects.	Further work is being undertaken in relation to including cumulative totals within SP&R Report	September 2016
<ul style="list-style-type: none"> reasons for and consequences of slippage, or delays, of capital projects and any changes in the timing of capital spending 	The report to Strategic Policy and Resources Committee includes narrative to provide context and consequence for all projects which are experiencing slippage or acceleration.	Ensure SP&R narrative remains fit for purpose through ongoing review Explore options to develop additional reporting tools to aid elected members in the challenge and scrutiny of the capital programme.	Ongoing September 2016

Accounts Commission Key recommendation	Perth and Kinross current position	What are we doing to improve?	Timescale
	A Capital Programme Progress report based on the common key milestones for each project is scrutinised at each meeting of the Strategic Investment Group.	Ensure Capital Programme Progress report remains fit for purpose through ongoing review. Continue to explore opportunities to enhance key milestone reporting	Ongoing
<ul style="list-style-type: none"> clear outlines of the benefits that individual projects have realised, and how these compare with the expected benefits outlined in business cases 	Project benefit realisation exercises are currently undertaken on a project by project basis.	Further develop a common and appropriate approach to undertaking benefits realisation reviews for projects	October 2016
<ul style="list-style-type: none"> updates of the risks associated with capital projects and programmes, including their financial and non-financial implications. 	Each Capital Programme project must have its own risk register which is maintained through the life of the project. It is recognised that the programme may benefit from earlier and formal ongoing scrutiny of these risk registers.	Included in the revised toolkit.	June 2016
<ul style="list-style-type: none"> Provide elected members with regular training on capital investment to enable them to scrutinise effectively capital investment activity. 	Currently the Council provides information on capital investment to elected members as part of their overall induction.	A formal training package for elected members on capital investment is being developed.	October 2016

