

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE2 June 2016Report by ClerkNATIONAL EXTERNAL AUDIT REPORTMAJOR CAPITAL INVESTMENT IN COUNCILS: FOLLOW UP**PURPOSE OF REPORT**

1. To provide information on the Audit Scotland report *Major Capital Investment in Councils: Follow Up*.

**RECOMMENDATION**

2. It is recommended that the Committee considers the report.

**BACKGROUND**

3. Copies of the Audit Scotland report *Major Capital Investment in Councils: Follow Up*, published in January 2016, have already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Members who are leading the review of this particular report are Councillor Wallace and Councillor O'Kane. In accordance with arrangements established by the Committee for dealing with such reports, the Head of Accountancy (Chief Financial Officer) has provided comments on it. A copy of the feedback is attached (see Appendix 1).

**RECOMMENDATION**

4. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

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Background Papers:-

1. Audit Scotland Report *Major Capital Investment in Councils: Follow Up*

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**EAST RENFREWSHIRE COUNCIL**  
**AUDIT and SCRUTINY COMMITTEE**

**2 June 2016**

**MAJOR CAPITAL INVESTMENT IN COUNCILS - UPDATE**

**INTRODUCTION**

1. In March 2013 and June 2014 Audit Scotland prepared reports on major capital activity in Scottish Councils. A further follow up report was issued in January 2016. This report updates members on progress against the recommendations set out in this latest report.

**REPORT**

2. Key points from the report in relation to East Renfrewshire Council are set out below.
3. The Council demonstrates good practice in many of the areas covered in the report such as:-
  - Record level of capital investment planned for 2016/17- 2023/24
  - Variety of funding mechanisms used (borrowing, capital reserve, capital grant, revenue funded NPD/hub schemes, City Deal etc.)
  - Collaboration with other bodies (Eastwood and Barrhead Health & Care Centres (GGCHB), Eastwood High School (joint pilot with Midlothian Council), City Deal, Clyde Valley Residual Waste etc.)
  - Corporate Asset Management Group of senior officers set up to oversee development and monitoring of capital schemes and asset management plans
  - Cumulative spend on each capital project regularly reported to Councillors
  - Capital and treasury training provided to elected members
  - Detailed rolling capital plans in place for next 8 years (General Fund) and next 5 years (HRA)
  - Efficient asset use by siting different services in one facility (Barrhead Foundry, Auchenback Family Centre etc.)
  - Capital and treasury functions managed within the same team
4. The report notes that some revenue funded projects were delayed in 2015 due to changes in European legislation. Barrhead High School, supported by SFT grant through a revenue funded NPD/hub scheme, was one of the affected schemes but has now reached financial close. Additional government grant was provided to cover the additional advisor costs and to help address the inflationary impact of the delay. Work is now underway and the school is expected to be delivered on schedule in August 2017.

5. The report also recommends that all Councils should ensure that key findings are addressed. Annex 1 to this report includes an action plan covering each recommendation.

## **CONCLUSION**

6. Audit Scotland has produced recent reports on major capital investment in Councils and made a number of general recommendations for all Councils. Whilst demonstrating good practice in many areas, East Renfrewshire Council has also prepared an action plan to fully address the report's findings.

Margaret McCrossan  
Head of Accountancy  
17 May 2016.

MAJOR CAPITAL INVESTMENT IN COUNCILS – ACTION PLAN JUNE 2016			
ACTION POINT	RESPONSIBLE OFFICER	TARGET DATE	COMMENT
1. All Councils should have a long term capital investment strategy linking to long term strategic priorities and SOAs and following good practice as set out in the 2013 Good Practice guidance.	Director of Environment/Head of Accountancy	September 2016	8 year (General Fund) and 5 year (HRA) detailed capital plans are in place and a new capital investment strategy is currently being finalised.
2. Business cases that comply with good practice should be prepared for every capital project.	All Directors and Corporate Asset Management Group (CAMG)	March 2016	Guidance on the Capital Project Appraisal (CPA) process has recently been revised. Departments are now required to provide increased justification for proposed projects, including links to the Council's Single Outcome Agreement (SOA) and the 5 capabilities, Timescales for submissions have been extended to permit more robust costing by PATS and detailed scrutiny of proposals by the CAMG prior to recommendations going forward to the CMT and elected members.

<p>3. Business cases should be revisited and monitored throughout every capital project.</p>	<p>PATS/CAMG/all Directors</p>	<p>April 2016</p>	<p>PATS reviewed all major capital projects for inflation impact in December 2015 and the CAMG now oversees all capital projects and receives regular reports on any significant variations in cost, scope or timing of individual schemes within the capital plan. The Council's Contract Standing Orders were also revised in April 2016, including arrangements for approval of variations during the life of a capital project.</p>
<p>4. Post project evaluations should be regularly carried out to establish whether planned benefits have been realised and to identify good practice/lessons learned.</p>	<p>All Directors</p>	<p>September 2016</p>	<p>Although some post project reviews have been performed, this has not yet been applied to all projects and has tended to focus on a narrow (mainly financial) range of benefits. Criteria will be established and guidance issued on proportionate post project evaluations to be carried out on completion of all capital projects.</p>
<p>5. Consideration should be given to 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.</p>	<p>Head of PATS</p>	<p>September 2016</p>	<p>Plans for gateway reviews have recently been agreed by CAMG. External experts will be commissioned as necessary to provide independent review at key stages of major projects. The key stages relevant to each scheme will be determined at the outset of the project.</p>

<p>6. Councils should be proactive in sharing lessons learned, from both successful projects and those that ran into difficulties, within the organisation and with other Councils.</p>	<p>Head of PATS/Head of Accountancy/ Chief Officer Legal &amp; Procurement/ CAMG</p>	<p>Ongoing</p>	<p>Relevant senior staff already attend national fora such as the Scottish Heads of Property Services (SHOPS) and the West Territory hub Development Forum to exchange good practice and lessons learned. CAMG also acts as a similar forum within ERC for officers from all departments involved in capital schemes.</p>
<p>7. Capital monitoring reports should include cumulative spending against total capital budget and the progress of each significant project against its key milestones.</p>	<p>Head of Accountancy/Head of PATS</p>	<p>April 2015</p>	<p>Capital monitoring reports have always included cumulative expenditure and total budget information for all projects and provided narrative where there was a significant variation from key milestones.</p>
<p>8. Capital monitoring reports should include reasons for and consequences of slippage, or delays, of capital projects and any changes in the timing of capital spending.</p>	<p>Head of PATS/Head of Accountancy</p>	<p>August 2015</p>	<p>Narrative in capital monitoring reports was expanded during 2015/16 to provide increased information on slippage, delays and changes in timing of spend, thus highlighting associated risks.</p>
<p>9. Members should receive reports outlining the benefits that individual projects have realised and how these compare with the expected benefits in business cases.</p>	<p>Head of PATS/All Directors</p>	<p>September 2016</p>	<p>An annual report for elected members will be developed , setting out the planned and realised benefits arising from capital activity.</p>

<p>10. Members should receive updates of the risks associated with capital projects and programmes, including their financial and non financial implications.</p>	<p>All Directors</p>	<p>Ongoing</p>	<p>In addition to the information provided to elected members under item 8 above, project risk registers are maintained by departments for all major projects as well as departmental risk registers. Any particularly significant risks are also incorporated into the Council's strategic risk register which is reported to elected members.</p>
<p>11. Elected members should be provided with regular training on capital investment to enable them to scrutinise effectively capital investment activity.</p>	<p>Head of Accountancy</p>	<p>October 2016</p>	<p>Several capital investment training sessions have been held for elected members, the most recent being in October 2014. A further seminar will be arranged for October 2016 and annual updates can then be held if required.</p>

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