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| Report to | Cabinet |
| Date of meeting | 13 th December 2022 |
| Lead Member / Officer | Councillor Gwyneth Ellis, Lead Member for Finance, Performance and Strategic Assets / Steve Gadd, Head of Finance and Property |
| Report author | Steve Gadd |
| Title | Capital Process and the future of the Strategic Investment Group |

1. What is the report about?

- 1.1. To update Cabinet on a proposed new capital budget setting process and changes to the Terms of Reference and name of the Strategic Investment Group.

2. What is the reason for making this report?

- 2.1. To provide Cabinet with an update on the new draft capital process and the proposed new Capital Scrutiny Group prior to making the formal changes required.

3. What are the Recommendations?

- 3.1. That Cabinet review and approve the new capital process.
- 3.2. That Cabinet support the draft Terms of Reference of the Capital Scrutiny Group which will be presented for approval at the first meeting of the Group.

4. Report details

- 4.1 The future of the capital process and the Strategic Investment Group has been a priority for the last 18 months. Although it had been hoped that a proposal would be ready over the summer it is important that we get this right. The guiding principles behind the review have been:

- Some members of SIG had expressed concerns about their role in making key decisions – it was agreed that this would be considered in the review
- Need for strong governance about how we allocate and approve capital resources
- Scrutiny and transparency of decision making – including review of previous decisions/projects to learn from experience
- Simplification of decision making for low level grant-funded schemes
- Aim to synchronise the business case processes for capital projects and the wider project management processes of the Council (through the use of Verto)
- Address the support required for the proper administration of the processes

4.2 The majority of the details of the proposals are contained in the draft Terms of Reference and appendix which is included as Appendix 1 to this report. The main points of the proposal are:

- A new group would be created called the Capital Scrutiny Group – the group would scrutinise business cases and capital budgets but final decisions would not rest with this group. The CSG's views would be taken into consideration by the other decision making bodies set out below.
- Backbench membership of the CSG has been kept as nominations of the Scrutiny Committees
- The council's constitution allows Cabinet to approve individual capital schemes, with the annual Capital Plan requiring approval by the full Council (Chart B).
- Council Executive Team can approve schemes under £1m if CSG has recorded support (Chart C).
- Cabinet are required to make the final decision on all schemes over £1m (Chart C).
- Schemes under £1m, that are not supported by CSG, can be taken by the Head of Service to Cabinet for a final decision if agreement cannot be reached (Chart C)

- In-year grant funded schemes up to £0.250m in value do not need to go through CSG and can be approved by the Head of Service, the relevant Director and the Head of Finance.
- Further work is required on the details of the capital bid forms and process. The aim is that all capital projects will need to complete the Verto project forms – but that these will in the future include all the additional information required to make decisions on capital business cases. This is an ongoing project and detailed operational guidance will be developed by the spring.
- The proposal is that the CSG and the Budget Board will be supported by the Committee Services team from April 2023. Discussion have been ongoing on this issue and arrangements have been agreed in principle.
- It is important to note that the process and the terms of reference will be subject to annual review.

5. How does the decision contribute to the Corporate Priorities?

- 5.1. Many of the Council Priorities requires capital investment in order to be achieved. The proposal sets out a clear and robust process to ensure that decisions are taken which are affordable and seen in the wider context of affordability and competing resources.
- 5.2. Having a robust capital budget setting process to set a budget each year is a core duty of the Council and is crucial to ensure the good governance of the Council as set out in the new Corporate Plan.

6. What will it cost and how will it affect other services?

- 6.1. Each business case will identify the financial implication of individual projects.
- 6.2. The proposal will impact on the resources of Committee Services – however Finance have agreed to fund any pressure from service reserves up to the end of 2024/25 financial year.

7. What are the main conclusions of the Well-being Impact Assessment?

7.1. In the view of the Section 151 a wellbeing impact assessment is not required at this stage as this involves internal processes only.

8. What consultations have been carried out with Scrutiny and others?

8.1. The proposals have been discussed with key officers including the Chief Executive and Director of Governance and Business. The proposals have also been discussed at Cabinet Briefing in November. Further consultation was carried as set out below:

- Governance and Audit Committee – 23rd November – a number of minor amendments will be included – including the addition of a glossary in the final published guidance
- Report to SLT which was positively received – they requested details of what schemes would need to go through to Asset Management Group which will be included in the final guidance.
- The proposals would also require changes to the Constitution (including Financial Procedure Rules) which will be developed if Cabinet approve this report. Changes to the Constitution are agreed on an annual basis.

9. Chief Finance Officer Statement

9.1 It is hoped that the proposed processes will ensure that decisions concerning capital strategies and projects will be more transparent, strategic and efficient. The hope is that most bids will come through the annual capital budget process so that competing bids can be assessed in the context of resources available, rather than taking isolated decisions. However, in year decisions will always be required and the process allows for the proper scrutiny of those decisions.

10. What risks are there and is there anything we can do to reduce them?

10.1. The risk of not having an agreed process to develop, assess and scrutinise the Council's capital requirements could lead to sub-optimal decision making.

11. Power to make the decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.