February 2015

Overview and Scrutiny Committee

Capital Expenditure

Report from Scrutiny Challenge Panel

Members of the review group

Councillor Barry Kendler (Chair)

Councillor Jeff Anderson

Councillor Nitin Parekh

Councillor Phillip O'Dell

Councillor Barry Macleod-Cullinane

Councillor Manji Kara

Councillor Marilyn Ashton

Councillor Vina Mithani

TABLE OF CONTENTS

1 CHAIR'S FORWARD

The Council's capital programme for the four year period 1st April 2015 to 31st March 2019 is estimated to be valued at £220.5m. For the last three years there has been a recurrent underspend[1] of the budget for the capital programme and it is predicted that by the end of the current financial year, the fourth consecutive year, there will be an underspend. The 2014-2015 underspend is projected to be 27%as at the end of quarter 2. This represents a substantial amount of unused resources and is a point of great concern for elected members due to the potential and actual negative impact on the residents of Harrow- especially the most vulnerable. The under-utilisation of financial resources also damages the reputation of the Council and its partners, especially partners who wish to invest in the Borough. In this time of financial stringency it is important that we are seen to be spending the Council's limited financial resources as efficiently and effectively as possible in order to maintain our credibility

The panel explored why this under spending is happening and looked at how the capital programme is managed and identified ways in which programme management can be improved. We are aware of the need to determine the genuine underspend from slippage and the key is to identify this with more accurate profiling of the capital expenditure. We are also aware that the capital programme requires more direct input from members in terms of its development and outcomes.

In our recommendations we identify measures to improve the financial management, project management and governance of the capital programme.

I would like to thank all the witnesses who attended and provided evidence to the Challenge Panel. They provided my colleagues and I with valuable information and the Panel appreciated their frankness and openness about the problems that caused the overspends from their point of view. The witnesses were critical in enabling us to develop our recommendations.

[1] For the purpose of the panel, the term underspend is defined as 'expenditure below profile'

I would like to offer my thanks to members of this panel for their time, participation and constructive debate. I would also like to thank the Portfolio Holders, councillors Sachin Shah and Keith Ferry for their input

I am very grateful to the following officers who attended the panel and offered the benefit of their experience and knowledge to contribute to this scrutiny panel:

- Russell Eacott, Interim Head of capital- Children's Capital Project
- Maggie Challoner, Head of Asset Management
- Mala Kripalani, Service Manager, Programme Management Office
- Susan Dixson, Head of Internal Audit
- Dawn Calvert, Head of Strategic Finance and Business
- Simon George, Director of Finance & Assurance

I also acknowledge officers of Harrow Council who contributed to the scrutiny. Particular thanks go to Rahim St John, Head of Business Transformation Partnership, Paul Newman, Service Manager, Programme Management Office and most of all Stella Agunabor who has worked and continues to work so hard and so effectively to ensure this Panel is effective in identifying problems and coming up with effective solutions.

2 EXECUTIVE SUMMARY

A Challenge Panel to investigate the recurrent capital underspend of the Capital Programme Budget was requested at the meeting of the Performance and Finance Scrutiny Sub-Committee (3 July 2014).

The Challenge Panel gathered evidence, heard from and questioned witnesses, and considered evidence put before them in order understand the impact of the capital underspend upon the residents of Harrow, the Council and its partners. The panel also sought to identify the key reasons for the capital underspend and to assess the financial implications. Additionally, the panel reviewed the management of the Council's capital programme and identified proposals for improvement.

The key findings and recommendations are presented in the report, grouped by the following themes:

- Governance Management
- Financial Management
- Project Management

The panel found that overall, the corporate business processes to develop the capital programme is strong and well managed, but there are areas of weaknesses within the management of the programme which require improvement. The current system needs to be strengthened to ensure that there is a corporate overview of the whole programme; that a formal interface is established between the programme management boards and members; and that the Council's decision making, payment and contract process does not delay the start and completion of capital projects. Extending the rolling capital programme in alignment with the four year Medium Term Financial Strategy (MTFS) will give greater stability and opportunities to plan spend.

Furthermore, the panel recognise the importance of improving the profiling of capital expenditure so as to better identify genuine underspend from slippage.

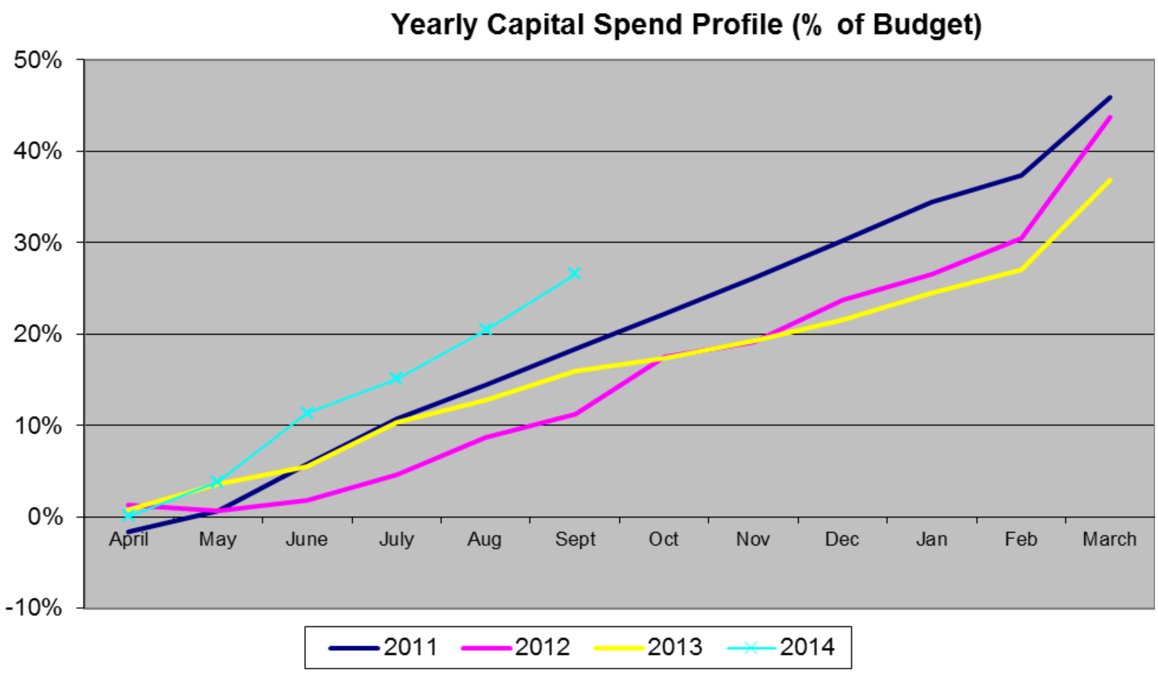
It is hoped that our recommendations will bring about the necessary improvements to the capital programme to enable maximum effectiveness.

3 INTRODUCTION AND SCOPE

Over the last three financial years, the Capital Spend Profile has shown that the capital spend was below budget with 2011/12 at 46%, 2012/13 at 44% and 2013/14 at 37% of the budget respectively as illustrated in the chart below.

The forecast position at Quarter 2 of 2014/15 is that 73% of the total capital programme will be spent in-year which is a considerable improvement compared to previous years but is still below the desired target of 95% as suggested by the scrutiny panel members. Of the 27% that is forecast not to be spent, 26% (£29.9k) is required as slippage into 2015/16 to complete schemes and 1% (£1.8k) is a true budget underspend.

Chart 1



The Performance and Finance Scrutiny Sub-Committee (3 July 2014) requested that there should be a review of the recurrent underspend of the Capital Budget.

A Capital Funding Panel was set up:

- To understand the financial implications of capital underspends.

- To understand the impact that the capital underspend has upon the council's and its partners services in terms of delivery and performance.
- To review the management of the Council's capital programme.
- To identify key reasons for the under spend.
- To identify proposals designed to improve the management of the Council's capital programme.

The scope for the project is attached to this report as Appendix One.

The Challenge Panel invited submissions and heard evidence from Council Officers, the Portfolio Holder for Finance and Major Contracts, and the Portfolio Holder for Business Planning and Regeneration The purpose was to identify the extent and significance of the impact of Capital Underspend on the residents of Harrow, the Council and its partners.

4. **POLICY BACKGROUND**

Underspend is defined as the act of spending less than one is able to or than was planned, or the amount not spent (Business English Dictionary).

The Local Authorities (Capital Finance and Accounting) Regulations 2003 SI 3146 and chapter 26 of the Local Government Act 2003 sets out the definition of capital expenditure as expenditure which increases the values of the Council's assets. It is expenditure on items that are expected to provide benefit for several years and this can be achieved by purchasing, building creating or improving assets. The assets can be immovable, (e.g. roads) moveable (e.g. vehicles) or intangible (e.g. software).
Costs on maintenance repairs which do not increase the value of assets are not considered as capital expenditure and as it is often difficult to distinguish between improvements and repairs, a "de minimis" (threshold) level is set before expenditure is treated as capital. In Harrow, this amount is £10,000.

All other expenditure such as employee costs, utility bills, supplies and service contracts is revenue expenditure.

Capital expenditure can be funded in the following ways:

- Prudential Borrowing - The Council sets its own borrowing limits based on what it can afford.
- Grants from external funding sources including government grants - In Harrow, this totalled £60m in 2014/15, approximately 50% of the capital

programme. Across the next four year period, 2015/16 to 2018/19, the total capital programme (inc HRA) is estimated at £220.5m of which £73m will be funded externally.

- By selling land and property to generate capital receipts. And
- By using their revenue budget- capital expenditure charged to the General Fund balance.

The income generated in the above way, cannot be used to fund revenue expenditure except in special circumstances. Therefore capital and revenue budgets are managed separately. Transfers may be made from revenue budgets to capital budgets, but not from capital to revenue. The capital budgets can vary substantially from year to year, depending on what projects are underway and are set on the Cabinet's recommendation taking into account factors such as affordability, availability of government grant, service priorities and demographic changes.

The Local Authorities (Capital Finance and Accounting) Regulations 2003 SI 3146 and chapter 26 of the Local Government Act 2003 also set out the sums to be treated as capital receipts and their use.
The panel was concerned about the persistent pattern of under-spending on the capital programme and wanted to explore the financial implications of capital underspend

Financial Implications of Capital Underspend

The implications of the slippage and true underspend depends upon the project's funding source. For example, in 2014/15 approximately 50% of the capital programme is funded from external sources which are governed by their own controls and criteria. Therefore any underspend on completion of the project is likely to be repaid to the awarding body and would not impact on the Council's finances. It is important to note that many grant funded schemes are subject to time limits for completion and there could be implications if these are not met.

For capital schemes funded by the Council there could be implications on the Council's treasury management and capital financing charges. For example, the council may plan to borrow money and budget for the appropriate capital financing costs. If the plans slip and the borrowing is not required, or required at a later date, the budgeted financing costs will not materialise resulting in a revenue under spend which will be accounted for in the monthly budget monitor.

Impact of Capital Underspend

- Service levels- It is projected that £1.822m of the General Fund underspend is no longer required and whilst it could be seen that any underspend is evidence of the Council's prudence, it needs to be confirmed that service levels have not suffered as a result.

- Changing business needs- If the underspend is as a result of winding down a contract as in the case of the Capita contract, planned work is cancelled, which impacts on the ability to respond to changing business needs. This is because, pragmatically, it may not be reasonable to invest further in systems that are likely to be replaced by a future contractor or to start projects that cannot be completed.
- Presentational problems-If the Council continues to underspend it's capital budget, it is difficult to justify any further cuts to other services and jobs when the money already budgeted for has not been spent.
-

Management of the Capital Programme

The considerations and methodology of allocating capital funding is set out within the Council's Capital Strategy which was introduced in 2010 in response to a review of the Capital Programme.

The purpose of the Council's Capital Strategy is to enable the allocation of the Council's funds in an effective and objective manner, to the benefit of the people of Harrow in line with the Council's priorities and strategies for example, the Asset Management Plan and The Property Strategy. The Capital Strategy is the key document used in the management of the Council's capital programme. The strategy was last updated in the 2012/13 financial year.

The process for allocating funding is based on a scoring system with four key criteria each with their own sub- criteria.

Criteria

1. Physical

a) Type of asset
b) Public access
c) Physical condition
d) Asset usage

2. Risk

a) H&S risk
b) Political & Reputation risk
c) Service risk
d) Liability risk

3. Council Objectives

Scored against the Council's strategic objectives

4. Impact Criteria

a) Environment
b) Sustainability
c) Equalities Impact Assessment process

d) Potential loss of funding if project does not go ahead

The criteria are weighted in line with the council priorities of:

- Making a difference for the most vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference for families

Each sub-criterion is scored out of 10 by the service area.
Project bids are accepted from any service area requiring capital funding to complete its objectives and the application is made by the individual bidder using a standard proforma.

The bids are validated by a Capital Bid Valuation Panel which is taken from a cross section of directorates. The panel scrutinises the capital and revenue implications of the bids to ensure a consistent, objective and balanced approach to the projects bids presented for consideration. Having validated the projects, the panel then categorises them into one of four categories

1. Spend to save. Projects where revenue outstrips the capital cost within five years of project completion.
2. Contractually committed- these are projects where the Council has already started or are contractually committed to completing the projects
3. Statutory. Projects relating to Harrow Council's statutory duties
4. Non-statutory- Non essential projects that may have a positive effect on the community

The projects are scored, categorised, allocated a cut-off point by the Director of Finance and Assurance and cleared for approval by the Portfolio Holder; taking into account funding to meet legislative requirements, available funding for the year, implications of not completing projects which fall below the cut-off point and the risk factors detailed in the individual project bids.

The Capital Programme is referred to Corporate Strategic Board and approved by the Council on the recommendation of Cabinet.

Budget Managers for the approved projects in the Capital Programme must submit a formal business case to Capital Forum which is developed in VERTO (the project management system) to establish project viability at which point any adjustments can be made and approval is given by the Chief Financial Officer. The project managers develop a Project Initiation Document (PID) in VERTO to show how the project will be delivered and this is quality assured and reviewed by the Project

Management Office (PMO), after which a cost code is released by the finance team and the project is moved into the live gateway in VERTO. If any changes are required to the project after the approval of the business case and PID, then the Project Manager will be required to make a re-presentation to the Capital Forum to obtain finance approval.

The live projects are monitored by the project managers in line with the Project Management System. This informs the capital budget monitoring which is done on a monthly basis. Project Managers are required to estimate the outturn expenditure and the value of any slippage and true underspend together with progress against key milestones

Where a carry forward into the next financial year is required for a project, the Project Manager completes a proforma which is considered by the Director of Finance and Assurance in line with delegated authority as set out in the financial regulations and subsequently reported to Cabinet for information

5. .FINDINGS AND RECOMMENDATIONS

The challenge panel met on 21 January 2015.

The following officers submitted written evidence, contributed to the investigation by interview or appeared as witnesses to answer Members questions:

- Russell Eacott, Interim Head of capital- Children's Capital Project
- Maggie Challoner, Head of Asset Management
- Mala Kripalani, Service Manager, Programme Management Office
- Susan Dixson, Head of Internal Audit
- Dawn Calvert, Head of Strategic Finance and Business
- Simon George, Director of Finance & Assurance
- Rahim St John, Head of Business Transformation Partnership
- Venetia Reid-Baptiste, Divisional Director Commissioning Services

The evidence presented has highlighted the following themes of Governance Management Financial Management and Project Management. This section therefore looks at these themes highlighting the evidence provided and recommendations put forward by the Panel.

Governance Management

The key points emerging from the evidence presented and discussion under this theme included:

- The current system operates as a financial approval board not as a programme board for the capital programme. Once programmes have been funded it appears that very little attention is given to monitoring risks, issues and delays. Monitoring and reporting of project's progress tends to be at directorate level at project boards, which operate independently with no co-ordination between the different boards. The panel felt that the lack of a corporate board is a weakness of the current system as there is no way of taking an overview of the total programme. For example, the Interim Head of capital- Children's Capital Project, explained that there is a programme board for the Children's Capital Project, (The Schools Expansion Board) to which he and the programme manager report. The board consists of senior officers within the organisation- The service director, legal officers, Head of Procurement and Director of Finance & Assurance. It meets monthly but it is not integrated into a corporate reporting structure.
- There appears to be an absence of a corporate governance structure for programme reporting from individual boards to the Member/Office interface with evidence from officers showing conflicting views as to whether there are formal monthly meetings with officers and the directorate Portfolio Holders. It is the opinion of the panel that members should be able to know information about the progress, delays or issues concerning projects in their wards and the overall programme so they can understand and manage the risks involved and bring the benefit of their local knowledge and input to schemes at the appropriate stage.
- The Council's decision making process can cause delays to the capital programme. For example, the council's constitution states that any addition to the capital budget must be approved by full council. The panel heard evidence that recently, additions to the capital programme up to the value of £500,000 which are wholly covered by additional external resources and meet the criteria specified in the Financial Regulations can be approved by cabinet instead of being approved by full council. The panel would like to see this limit increased.
- In written evidence submitted after the call for evidence, the Divisional Director – Commissioning Services states*: "The two stage process is unhelpful. Once the bid has been agreed, there should not be a separate requirement to gain approval for each individual project in the programme. For example, a bid for Parks Building capital funding would list the parks buildings that we would be repairing. Once that overall bid is approached, it is unnecessary to have to seek approval again for each individual project. Most council have a one stage bidding process.*"
- The panel heard that the role of the Capital Forum is that of an officer panel with no input from members. It meets monthly to consider business cases

and the technical and legal viability of the project. Evidence presented suggests that the requirement for an approved project to have their business case approved by the Capital Forum has caused delays in the past and that this has had an adverse impact on projects funded from hypothecated grants. The panel felt that the role of the Capital Forum should be clarified, strengthened and extended to take on capital monitoring/programme management.

- Some schemes are put into the programme prematurely without adequate scoping and the perception of witnesses is that project managers rush through plans just to get the funding but have not thought through how the project will be delivered in practice. For example, the bid for the project to install energy efficient measures for home owners did not have enough detail as to how it would be delivered. Due to the specialist nature of the project, one of the delivery problems is the appointment of to find an appropriate contractor to undertake the works. Another problem is that the home owners are to contribute 60% towards the cost of the work and whilst they are expressing interest, this is not translating into take up of the scheme.
- The panel is concerned that the VERTO system is not operating as effectively as it should. It is the opinion of witnesses that the system does not get updated as regularly as it ought and the information is out of date. There is a time lag in the information process before it gets to members. For example the panel heard evidence that a report was run on 21 January 2015 from the VERTO system but the last updated information related to November 2014. However, we note that the project managers did say that they do make efforts independent of VERTO to ensure that operational decision information is up to date and accurate so that their portfolio holders receive up to date information concerning the progress of projects on the capital programme. The Programme management office argue that the time lag in information processes may not necessarily be related to the VERTO system and could be down to other factors such as staff training or the nature of the reporting cycle.

Recommendations	
1.	To establish an overarching Corporate Board with responsibility for monitoring all individual projects across the Council in order to give a better overview of the capital programme and to ensure that the project management system is applied across all schemes and departments.
2.	To develop the role of the capital forum into a senior officers' forum where its existing role is maintained but extended to take on capital monitoring/programme management. Each directorate will send a senior representative who presents a directorate report based on the RAG system.
3	That the VERTO system be reviewed in terms of its staff training processes, to establish its purposefulness and to maximise its effectiveness .
4.	To change the Council's constitution so that elected members are part of the decision making process to vary the capital programme.
5	That the Director of Finance & Assurance and the Head of Internal Audit, explore whether the centralised scanning of invoices has a deleterious impact on project timetables and contractor payments and to assess the risk of fraud.
6	That all projects be realistically scoped and planned before being put into the capital programme.

Financial Management

The key points emerging from the evidence presented and discussion under this theme included:

- The extension of the rolling capital programme in alignment with the four year Medium Term Financial Strategy (MTFS) will allow for work substitution if there are any delays with specific projects within the four year programme.
- The introduction of the longer term programme will give the Council the ability to procure longer term contracts where appropriate so that delivery can be commenced on 1st of April every year, rather than being required to go through a procurement process for each element of the programme which could take between 3-6 months.
- In 2014/15, the Finance Team has been working with budget holders to increase the robustness of capital forecasting, with clear distinctions being made between what is slippage and will require a carry forward and what is a true underspend. The Quarter 2 monitoring saw a significant improvement in the capital forecast position.
- The panel heard that slippage/underspend may be for valid reasons, for example if the contractor performance is poor, then the Council may halt payment until performance is improved. This was the case for the Highways project which underspent by 50%in 2013/14. It was identified that the issues related to contractor performance and the Council had no mechanism to enforce performance as the contract did not have workable KPIs. In February 2014, there was a meeting with the Highway contractor to resolve the issue. The contract was renegotiated to include a suite of KPIs with financial penalties for non-performance. These were implemented in July 2014 and the Highways programme is now spent and committed.
- In written evidence, the Divisional Director Commissioning Services has commented that the carry forward process should be amended so that business cases for each carry forward request includes a timeline as to when the project will be completed or the funding taken away.
- There should be regular re-profiling of the capital budget. The profile of how a capital scheme will be delivered will change and it is important to ensure that the budget is realigned over the revised delivery plan period. It is common practice in other Local Authorities to have a re-fresh of the capital programme in-year to reflect such changes and this will be implemented for 2015/16.

Recommendations	
7	That the Capital Forum has the power to vire money from under spending projects/budgets to other projects to ensure that slippage is minimised.
8.	That all budgeted allocations should be split in monthly budgets and monitored monthly to ascertain underspend/overspend.
9.	That slippage/underspend should be monitored in terms of efficiency saving and other underspend.

Project Management

- Many projects suffer from slippage which is defined as the time a project is late compared to the initial schedule baseline. Slippage can also be defined as the variation between the planned dates of a project starting and finish. Slippage may take place when initiation of activities on the planned start dates is delayed and not controlled. In 2014/15, 96% of the projected General Fund underspend will be slipped into the 2015/16 year.

The panel heard that there are several possible reasons for slippage

1. **Projects are suspended, on hold or identified as savings.**
   An example is that whilst the New Housing regeneration programme was being developed decisions could not be made on the housing capital programme until June 2014. This delayed the start of procurement and delivery of the programme.
2. **Procurement process/market forces/lack of expertise in the market**
   Projects find it difficult to recruit contractors with the relevant technical expertise, or market forces means that there is a scarcity of contractors. For example in the HRA capital programme, there is a problem because there is a lack of leaseholder expertise in the market and despite a number of thorough recruitment exercises the Council has struggled to recruit staff who understand the implications of leases and the rules on statutory consultation with and charges to leaseholders. Another example is that market prices have increased by 12% in the last twelve weeks.

3. **Payment process/contract terms**
   The project managers view is that the council's payment and contract processes can cause delay to the start and completion of projects and programmes. The panel heard that the DECC programme which is grant funded and awarded on 31 March 2014, cannot be spent because since September 2014, the contract process has not been finalised. The project managers feel that they do not have any indication as to the length of time that the legal section requires to complete their processes. If there was some service level agreement between the services and legal, then this could be factored in negotiations with the contractors.

   The Internal Audit Service has found no evidence during their reviews that the contract processes have contributed to project delays. Further exploration will be required to establish whether or not that this is the case.

   The panel also heard from one of the members that the strict rule about who can scan invoices is leading to delays in Harrow's payment process, with potential adverse consequences for small businesses and organisations. Whilst the panel appreciates that this is an anti-fraud measure; further investigation should be taken to determine the actual risk from fraud and the impact on small business.

4. Annual budget programme

Although that the capital programme is four year rolling programme, the fact that the programme budgets are released and monitored annually means that projects are working to annual deadlines. The effect of this is that a lot of projects are scheduled to deliver in March, if there is a slippage of a week or two, this can push the final project spend into the next financial year and this gives the appearance of an underspend.

Reasons for slippage are recorded in the VERTO system but this is not detailed and according to witnesses, does not "record the true picture of slippage". The panel would like to see more comprehensive information concerning project slippage.

- The panel members seek assurance that there is an appropriate level of project management applied across all capital programme schemes including the update of the relevant systems such as the risk register and the VERTO system. From the evidence given at the challenge panel, it was not completely clear that this consistency was fully applied across all schemes and all departments.
- The panel members are satisfied with the monitoring arrangements for the capital programme. They were presented with evidence that adequate processes were in place. However, monitoring is fragmented and the council should explore ways of better dissemination of cross directorate information. The panel heard that the council is exploring outcomes based budgeting through the Revenue Challenge Panel as a means of improving this dissemination.
- There is no collation of the problem/solutions and good practices outlined in the Lessons Learned Log of individual projects and also no means of ensuring dissemination to the whole council.
- The panel heard evidence that, on occasions, tenant/resident involvement may not have been as strong as it could have been- although on some schemes it has worked well. It is the panel's opinion that it is vital that tenants have the opportunity to comment on how works are progressing and to raise problems/issues as they arise. It is also important that residents/leaseholders be consulted or informed of works in development before they commence.

Recommendations	
10.	That all members should have monthly updates on the capital programme within their wards with a RAG report explaining what action is to be taken to resolve the Red/Amber projects. The Finance Portfolio Holder should see the minutes of the Capital Forum and he/she should advise Portfolio Holders of underperformance on capital

projects.

11. That the Capital Programme/Budget agreed in the February of each financial year should be over-programmed by a factor of 25%. This will enable slippage to be moved to different projects in-year without reference back to Full Council. The decision to vire should be either a Cabinet or Portfolio Holder decision depending on the urgency.

12. That once slippage/under-spending is reduced to levels below 15% then the over-programming is reduced to 10%.

13. To ensure that a summary of the Lessons Learned Log be distributed periodically to all project managers. This should include problems and solutions and good practices and success that could be applied to future works.

14. To appoint a nominated officer to ensure that there is adequate resident engagement in the capital programme process.

15.. To produce more stringent corporate documentation requiring officers to provide detailed information on reasons for project slippage.

16. That the capital programme, while based on the financial year should be structured around when the project is best suited to start.

17.. To ensure that contracts are negotiated and signed before the commencement of any works.

Appendix 1

Overview & Scrutiny SUB-COMMITTEE

DATE 18 November 2014

REVIEW OF Capital Expenditure Challenge

31 October 2014

1	**SUBJECT**	The Capital Funding Challenge
2	**COMMITTEE**	O&S Sub-Committee
3	**REVIEW GROUP**	**Councillors** Cllr Barry Macleod-Cullinane (C) Cllr Manji Kara (C) Cllr Marilyn Ashton (C) Cllr Vina Mithani (C) **Cllr Barry Kendler** (Chair) (L) Cllr Jeff Anderson (L) Cllr Nitin Parekh (L) Cllr Phillip O'Dell (L) **Co-optees**
4	**AIMS/ OBJECTIVES/ OUTCOMES**	• To identify the key reasons for recurrent General Fund underspending. • To review the management of the Council's capital programme (General Fund and HRA). • To identify proposals designed to improve the management of the Council's capital programme. • To examine the capital programme's funding criteria. • To understand the impact that capital underspending has upon the council's and its partners' services in terms of delivery and

		performance. • To understand the financial implications of capital underspends.
5	**MEASURES OF SUCCESS OF REVIEW**	• Understand the reasons for capital programme underspend. • Develop proposals to achieve a reduction in underspend of the capital programme ensuring that the capital programme is realistically profiled and spent to within 5% -10% of profile. • To identify improvement in the management of the Council's capital programme. • To track the financial and performance implications of Capital budget underspending on the Revenue budget.
6	**SCOPE**	The challenge panel will investigate the way that the Council manages its capital programme (covering both General Fund & HRA). It will identify the reasons for underspending and recommend proposals to improve its management.
7	**SERVICE PRIORITIES** **(Corporate/Dept)**	• Making a difference for the most vulnerable • Making a difference for communities • Making a difference for families • Making a difference for local businesses
8	**REVIEW SPONSOR**	Simon George
9	**ACCOUNTABLE MANAGER**	Rachel Gapp
10	**SUPPORT OFFICER**	Stella Agunabor- Policy Officer
11	**ADMINISTRATIVE SUPPORT**	Business Support Service
12	**EXTERNAL INPUT**	• PMO • Project Managers of amber & red projects • Portfolio Holder • The Director of Finance and Assurance • The Capital Forum

13	**METHODOLOGY**	The Challenge Panel will involve three phases. A desk-based research phase which will look at written material and responses from other authorities, evidence will be taken from interested bodies and officer networks and any partners. The information from this phase will inform the structure and lines of questioning for the Challenge Panel. At the Challenge Panel, evidence will be taken from key officers, managers and the Portfolio Holder. The report and recommendations will be written-up and submitted to Cabinet.
14	**EQUALITY IMPLICATIONS**	The review will consider, during the course of its work, how equality implications have been taken into account in current policy and practice and consider the possible implications of any changes it recommends.
15	**ASSUMPTIONS/** **CONSTRAINTS**	The success of the challenge panel will be dependent on the ability and willingness of officers, partners and stakeholders to participate and contribute fully in this work.
16	**SECTION 17 IMPLICATIONS**	1) Agree panel members and draft scope virtually – late October 2) O&S 18th November – agree scope 3) Capital Challenge Panel - January 4) O&S agree report & forward to cabinet - 24th February 5) Cabinet review report –19th March 6) Cabinet respond to report – 23rd April
17	**TIMESCALE**	October 2014 – April 2015
18	**RESOURCE COMMITMENTS**	Project costs will be met from the existing scrutiny resources
19	**REPORT AUTHOR**	Stella Agunabor, in consultation with Challenge Panel members.
20	**REPORTING ARRANGEMENTS**	Outline of formal reporting process: To Service Director [ ] When………………….. To Portfolio Holder [ ] When………………….. To O & S [x] When…………………..

		To Cabinet [x] When…………………..
21	**FOLLOW UP ARRANGEMENTS (proposals)**	Cabinet will respond to any recommendations made at the Cabinet meeting in April. Any agreement reached could be implemented in the 2015/16 financial year.