

Report To:	Audit Committee	Date:	6 January 2015
Report By:	Chief Financial Officer	Report No:	FIN/81/14/JB/LA
Contact Officer:	Jan Buchanan	Contact No:	01475 712225
Subject:	Targeted Follow Up to Audit Scotland Report on Major Capital Investments in Councils		

1.0 PURPOSE

- 1.1 The purpose of this report is to update Committee on the findings of the Targeted follow up to Major Capital Investments Report

2.0 SUMMARY

- 2.1 Audit Scotland issue several national performance reports and have asked the Council's external auditors, Grant Thornton, to undertake a review of how the Council has responded to the report published in March 2013 titled 'Major Capital Investment in Councils'.
- 2.2 Appendix 1 contains the report issued by Grant Thornton and highlights their assessment of how the Council has performed across the three specific sections: Capital Investment in councils, delivering major capital projects within cost and time targets and managing capital projects and investment programmes. Appendix 2 of the report is the recommendations from the audit.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Audit Committee consider the contents of the Grant Thornton report and note that the recommendations contained at Appendix 2 of the report will be tracked and reported to the Audit Committee; and
- 3.2 Committee also to note that the report will be considered by the February Policy and Resources Committee.

Alan Puckrin
Chief Financial Officer

4.0 BACKGROUND

- 4.1 The Council's external auditors, Grant Thornton, have submitted a targeted follow up report on the Council's response to the Audit Scotland report on Major Capital Investments in Councils, published in March 2013, as part of their responsibilities as the Council's external auditors.

5.0 FURTHER INFORMATION

- 5.1 Audit Scotland has issued several national reports in recent years and in line with normal practice has asked the Council's external auditors, Grant Thornton, to undertake a review of how the Council has responded. The original report covered three specific areas; Capital investments in councils, delivering major capital projects within cost time targets and managing capital projects & investment programmes.
- 5.2 The report which is attached at Appendix 1 contains a review of performance against the three specific areas and reported positively on the Council's response overall. The report also contains an action plan at Appendix 2 of the report which Officers will address. The Chief Internal Auditor will monitor progress of the actions and report to this Committee as part of the regular External Audit Action Plan Update.
- 5.3 The Committee is asked to note that there are no specific concerns raised by Grant Thornton in this update but that Officers from Grant Thornton will be present at the Committee to answer any questions.

6.0 FINANCIAL IMPLICATIONS

- 6.1 There are no financial implications arising from this report

6.2 Legal

There are no legal implications arising from this report.

6.3 Human Resources

There are no HR implications arising from this report.

6.4 Equalities

There are no equalities implications arising from this report.

6.5 Repopulation

There are no repopulation implications arising from this report

7.0 CONSULTATION

- 7.1 None

8.0 BACKGROUND PAPERS

- 8.1 None



Inverclyde Council

Targeted follow-up to Major Capital Investment in Councils

November 2014



Contents

1. Introduction and Audit Scotland Recommendations	3
2. Audit Findings	6
Appendix 1: Audit Scotland Checklist	8
Appendix 2: Recommendations	22

1. Introduction and Audit Scotland Recommendations

Audit Scotland requires us to provide core information on how the Council has responded to national performance reports. To promote impact at a local level, a number of national performance reports are subject to more targeted follow up each year. For 2013-14, we have been asked to follow up the report on Major Capital Investment in councils which was published in March 2013.

Major Capital Investment in Councils

Major Capital Investment in Councils was published on behalf of the Audit Commission in March 2013. The review involved a comprehensive review into how well Councils have been able to direct, manage and deliver capital investments.

Councils in Scotland spent £2.4 billion in 2011/12 on capital projects in addition to their £18 billion in revenue spending that year. Capital investment is aimed at increasing the efficiency of the service provided to the public through improving facilities and other assets.

Another key objective Councils face is to boost economic growth in their respective areas using capital investment. This can be achieved through providing employment opportunities in areas such as construction and engineering, as well as providing a greater commercial impact on local and national business.

Funding for capital investment can be acquired from a range of sources. Councils mainly borrow so that the cost is spread out over a number of years. Councils can choose to pay through Private Finance Initiatives (PFI) and Non-Profit Distributing (NPD) contracts which can spread cost longer than borrowing. The Scottish Government can also issue grants, and have a role in shaping support for investment in areas such as education, housing and transportation.

The report itself has been split into three sections:

- Capital investment in councils.

- Delivering major capital projects within cost and time targets.
- Managing capital projects and investment programmes.

Audit Scotland focussed on major capital projects over £5 million each and assessed how well the respective councils performed in terms of project management and delivery.

Key Findings Raised in the Report

In real terms, councils have invested £27 billion in building and maintaining assets and infrastructure since 2000/01. This includes £23 billion from the capital budget and £4 billion using PFIs and NPDs. This amount of expenditure is greater than any other part of the public sector.

During this period of wider public spending cuts and restrictions, councils have increased borrowing to maintain investment. Councils anticipate that where long-term plans are available, this will assist them in spending less on capital investment in future years. However, borrowing will remain the main source of investment

It was found that accurate cost estimates are important from the outset of major contracts. Poor estimates can cause the delivery of the project to be undermined and can therefore harm the objective of value for money. Audit Scotland found that most of the councils' early estimates of costs and timeframe were inaccurate. These estimates then improved as the projects developed and

contracts were awarded. It was also found that estimation was more accurate for schools projects compared to non-schools projects.

Recommendations made by Audit Scotland

Councils should develop long term investment strategies to detail the needs for local capital investment. They are encouraged to consult with stakeholders, such as service users, as they develop their strategies.

- A strategy should be formed to assess the appropriateness of using borrowing and private finance. Costs and risks and rewards of using these methods should be considered to help ensure the councils achieve value for money.
- Councils should explore the opportunities for joint working with other councils. This should cover joint projects, sharing resources and good practices and taking part in joint procurement.
- Project milestones need to be developed for monitoring and reporting. These should be clear with processes for preparing and approving business cases central to decision making.
- Assessments of risk and uncertainty must be carried out early to improve the accuracy of estimations.
- Councils should consider developing a programme of training for elected members on capital issues, using external sources if necessary.
- Information should be collected on all projects including explanations on cost, time and scope of changes and lessons learned. This should be reported publicly to improve transparency and scrutiny of project delivery.

Follow up requirements

Audit Scotland has asked us to complete a follow up review of the March 2013 report. This follow up review is therefore intended to provide the Commission with

information on the effectiveness and of major capital investments at Inverclyde Council (the Council).

Our Methodology

The basis of our testing centred on the checklist issued by Audit Scotland. This formed the basis of our discussions with officers at the Council and review of board minutes and other documentation.

The checklist was divided into two sections. The first comprises of an assessment of the Council's approach to major capital projects, the strategy in place, the financial information available to support the decisions made, reference to any major projects underway and concludes with a general summary.

For this stage, the work focused primarily on the governance processes in place at the Council. We assess this in our review of minutes and from members' interaction with officers from attendance at committee meetings and the approach undertaken to the decision-making process. Part of this work considered the type of strategy in place and the reports made available at Board and committee meetings. We considered how the Council has responded to the recommendations from the Audit Scotland report and the intention to action points that have yet to be implemented.

The second stage takes a more in-depth look at the strategy, how it is implemented and how projects are assessed for their performance and the management of risks and benefits. This was completed by reviewing key strategic documents and the procedures for larger projects which go from planning to approval and the monitoring that takes place thereafter.

Our work in this area drew on knowledge we had already attained from working with the client over our audit appointment and the scrutiny of specific capital project-related papers and reports going to Board and committees over the period since the Audit Scotland report.

We observed areas of progress, good practice and careful consideration given to the original findings from the Audit Scotland report. While the progress made is commendable, there remains some small areas for

improvement which could better influence the way within which the Council approaches capital investment and the governance processes surrounding the planning and on-going monitoring of projects. These findings and suggestions are set out in section 2 of this report.

Acknowledgements

We would like to record our appreciation for the assistance and cooperation provided to us during our audit by officers.

2. Audit Findings

Inverclyde Council have given serious consideration to the Audit Scotland report which included a number of small points for action. In response to this, the Council carried out a robust self-assessment but are yet to report on the progress against the plan. Our follow-up work identified some areas of good practice and the implementation of some of the recommendations with others still to be actioned.

Our Audit Findings

In preparation for the follow-up work to be carried out on the selected public bodies, Audit Scotland issued a checklist for audit teams to use as an assessment tool. From using this as the basis of our discussions with management and further audit work we made a number of observations of good practice and some recommendations still to be implemented.

The Council generally demonstrated a reasonable governance framework and internal processes. This was evidenced in the careful consideration of the Audit Scotland report and the Council's response in conducting a self-assessment. However, there was no evidence of any formal reporting of performance against the action plan.

The Council reviewed and sought to implement the action points from the report where possible. They felt the checklist for project managers does not particularly add value as there are no major projects on-going and the majority of current work is for maintenance and completion. Nonetheless, this was provided to the relevant parties should the manager consider it necessary.

The financial strategy forms the basis of the councils long-term strategy with more detailed individual asset management plans lying underneath. A medium-term 3-year capital programme from 2013-2016 is in place and this is compliant with the Audit Scotland Good Practice Guide. This not only details the funding of the projects but also the need for the investment. A cross-directorate Corporate Improvement Group (CIG) is in place at

Director level to ensure that there is co-ordination between the individual asset management plans.

Reasonable information on the expected benefits of projects is provided to members, though there is less available on the realised benefits.

Although concise, reports were provided consistently throughout the year to Policy and Resources Committee and more detailed versions going to the members of service committees. Management are addressing concerns over capital slippage and reporting of capital slippage through a number of actions including:

- Anticipation of delays due to external factors.
- Early notification of slippage.
- Identifying possible acceleration.
- Director performance targets.

For larger projects milestones are used to monitor performance. Processes are in place for approving business cases and these are usually tailored to the scheme. Outline business cases are based on a good model, full business cases are based on a sound set of principles. The financial regulations stipulate what should be included in capital project proposals prior to submission for approval.

No policy is in place to collect and report data sets on capital projects. Creation of a policy would demonstrate good practice and improve the quality of data collection for the projects concerned. Although the Council implement learning from previous projects it is thought

that good practice would be to introduce procedures to better embed this process.

There were some new points made in the report which prompted discussion amongst members e.g. the timing of post-occupancy reviews and the provision of capital risk registers to members (as well as officers).

As part of the initial procedures in setting projects, stakeholders are consulted extensively and feedback is incorporated into planning of strategies. Use of community councils demonstrates good practice with planning for projects and it would also be worthwhile if the Council considers involvement in further areas of capital investment.

Another recommendation from the report was surrounding possible opportunities for joint working. Where cost-effective the Council are open to joint procurement and have already realised procurement efficiencies through using the West Scotland hub. A number of projects have been identified as actively benefitting from joint working include Inverclyde

Community Health care Partnerships and Greater Glasgow and Clyde Health Board. A street-lighting project with Renfrewshire Council is progressing. Also there are some other further potential projects to work with Renfrewshire and East Renfrewshire Councils which are to be considered.

Risk assessments are carried out at the appropriate stages of projects with there being greater emphasis on complex projects. the Council exhibited signs of transferring knowledge gained from experiences on complex projects (e.g. PPP and schools projects) to the planning and risk assessment of new projects.

A final suggestion is that members could benefit from specific capital investment training suited directly to their needs in order to aid their understanding in complex areas.

Appendix 1: Audit Scotland Checklist

Appendix 1a - Stage one checklist

No.	Question	Evidence	Conclusion
Consideration of <i>Major capital investment in councils</i>			
1.1	<p>Did the council formally consider the report <i>Major capital investment in councils</i> following publication?</p> <p>Was the report considered by the full council, audit committee, other committee, senior management team, or other?</p> <p>To what extent was the report considered? (i.e. was it noted or discussed?)</p>	<p>The Council's Policy and Resources (P&R) Committee formally considered the report on 13th August 2013. It was also taken to the management teams which support school and road strategies.</p> <p>The P&R Committee had a detailed discussion, which resulted in members asking for an update report in 12 months. This evidences detailed discussion and engagement by the Members.</p>	<p>Members and officers reviewed the report and its recommendations in a good level of detail and discussed its impact on the Council.</p>
1.2	<p>How is the council responding to the recommendations in the report?</p> <p>Has the council developed an action plan to address the recommendations?</p> <p>What progress has been made against the recommendations?</p>	<p>The Council has developed an action plan based on the recommendations in the report.</p> <p>This included a few areas for improvement but no significant issues were highlighted. Dates for implementation are given by responsible officers.</p> <p>Progress so far has been limited due to resource pressures.</p>	<p>The Council responded well to the reports and the self-assessment of their performance was balanced. Action points were drawn up and discussed with members but there has been no formal reporting of performance against the action plans across the timescales given within the plan.</p>
1.3	<p>To what extent has the council used the good practice guidance?</p>	<p>The good practice guidance was taken to the Policy and Resources Committee alongside the main report. The guidance was used in the general action plan detailed above but has only had a limited impact.</p>	<p>The good practice guide has been reviewed in detail and implemented into the action points.</p>

No.	Question	Evidence	Conclusion
		This has been due to the Council's self-assessment suggesting that they already have good practice in place as their own internal processes and controls mirrors the good practice guidance.	
1.4	To what extent has the council used the good practice checklist for project managers?	The Council passed this guidance on to managers and management committees/groups as appropriate. However, there are no major projects still on-going; the majority of the current work programme is for maintenance and completion.	The Council do not feel that the checklist for project managers will be particularly useful currently, but it has been disseminated.
Capital investment strategy			
1.5	Does the council have a long-term capital investment strategy? If yes, which period does this cover? How often is the strategy reviewed? (please enclose a copy of the investment strategy)	The financial strategy provides the long-term investment strategy with a number of individual asset management plans underneath including the School Estate Management Plan, Road Asset management Plan, ICT, offices, depots and vehicles. The Council are developing asset management plans for other property and open spaces. There is a single capital programme for 2013-16 which acts as a medium-term plan, pulling together the finances and project timings for the main strategies.	The financial strategy forms the long-term investment strategy with individual asset management plans underneath. The 3 year rolling capital programme acts as a medium-term strategy.
1.6	How does the capital investment strategy reflect the strategic priorities of the council? Is there a clear link between investment, performance and outcomes?	There is an overall general strategy for the Council's operations as a whole, given at a high level in the Council's Corporate Statement. This does not specifically mention capital projects, but sets out the vision and priorities for Inverclyde. The Finance Strategy sets out how the Council will use their resources to achieve the Council's objectives. The capital programme is not linked back to the key visions, outcomes or performance measures of the Council in a document, but it is clear from our review that the projects in the capital programme are aimed at meeting these strategic priorities. Post-implementation reviews and benefits realisation need to be	Post-implementation and benefits realisation reviews should be developed to provide a clear link back to the how the investment is contributing to the Council's objectives.

No.	Question	Evidence	Conclusion
1.7	<p>Is the capital investment strategy supported by a capital investment plan?</p> <p>If 'yes', which period does the plan cover? In 'No' please explain why?</p> <p>Does the plan meet the features of good practice as outlined in the good practice guide (paragraphs 18 to 19)?</p> <p>What is the total value of capital investment planned in 2014/15 and 2015/16? Is this matched to funding sources?</p> <p>What action is proposed to address any shortfalls in funding in any given year?</p>	<p>developed to provide a clear link.</p> <p>The capital programme for 2013-2016 complies with the recommendations in the Good Practice Guide. The reports to the Policy and Resources (P&R) Committee are concise and consistently set out throughout the year with more detailed reports to 'service' committees.</p> <p>Total 2014-2015 capital investment is planned to be £27.8 million.</p> <p>Total 2015-2016 capital investment is planned to be £39.0 million.</p> <p>A funding shortfall of 1.6% is expected across the capital programme from 2013-2016.</p> <p>There is some flexibility from revenue and reserves funding and from borrowing within their prudential borrowing limit which could be utilised to meet this small shortfall.</p>	<p>The capital programme as reported to P&R acts as the capital investment plan, a 3 year plan taking a medium term strategic focus.</p> <p>Small shortfalls have been identified early in the process and members have decided to use reserves and other funding as appropriate. The remaining shortfall is within acceptable tolerances.</p>
Financial information to support effective decision-making and scrutiny			
1.8	<p>Are elected members and senior officers provided with regular, appropriate and accurate information to support investment decision-making? Does information include sufficient detail on profiled annual spend against the capital budget?</p> <p>project-by-project spend against each milestone for each project?</p> <p>an analysis of overall capital programme spend and its financing, including future projections and how it is paid for (i.e. from grants, borrowing or other)</p>	<p>Members and senior management are provided with regular information on performance against the capital programme.</p> <p>Project-by-project spend is monitored holistically and at a high level by the P&R Committee. Explanations for performance against budget for the four individual committees is given.</p> <p>The financing of projects and the split between capital grants, capital receipts, prudential borrowing and CFCR is provided to members across each year of the capital programme.</p> <p>External factors such as expected future capital grant income are inserted into the programme from the start and when revised estimations of resources available are made. These are explained to members and the resourcing re-profiled.</p>	<p>The Full Council are provided with detailed information annually, feeding into annual and 3 yearly plans. P&R receive high level information on the whole programme frequently, in a concise format. Service Committees receive detailed reports on the relevant aspects of the Capital Programme and progress against plan.</p> <p>Management have put plans in place to address the identification and reporting of capital slippage to improve the quality of interim reports to members.</p>

No.	Question	Evidence	Conclusion																		
	an assessment of external factors such as UK and Scottish budget settlements, construction inflation, interest rates and other market factors?	Other external factors are considered at a more local level for the larger capital projects.																			
1.9	<p>Are elected members provided with sufficient reasons for any movements in planned spending? Are reasons given for any changes to: annual spend against annual budget? individual project spend against project budget overall capital programme spend against programme budget expected grant funding, income from other sources, levels of borrowing?</p>	<p>Where there is slippage, this is identified by management as early as possible and reasons are given in budget reports and in committee papers. This has been reported to members appropriately across the year and reasons given.</p> <p>There has been little slippage on large projects such as roads, but any projects which are weather dependent are subject to delays.</p> <table border="1" data-bbox="801 683 1317 1182"> <thead> <tr> <th>Value of overall slippage</th> <th>Percentage of programme</th> <th>Date of report to P&R Committee</th> </tr> </thead> <tbody> <tr> <td>£743k</td> <td>1.9%</td> <td>24/09/2013</td> </tr> <tr> <td>£817k</td> <td>2.11%</td> <td>19/11/2013</td> </tr> <tr> <td>£3,908k</td> <td>10.03%</td> <td>04/02/2013</td> </tr> <tr> <td>£8,726k</td> <td>12.36%</td> <td>25/02/2014</td> </tr> <tr> <td>£14,645k</td> <td>15.19%</td> <td>20/05/2014</td> </tr> </tbody> </table> <p>The expected grant and other income funding is examined by members at both the P&R Committee level and by individual service committees.</p>	Value of overall slippage	Percentage of programme	Date of report to P&R Committee	£743k	1.9%	24/09/2013	£817k	2.11%	19/11/2013	£3,908k	10.03%	04/02/2013	£8,726k	12.36%	25/02/2014	£14,645k	15.19%	20/05/2014	<p>Members are provided with a good level of information about changes to budgets and out-turns, including the reasons for slippage and the larger changes.</p> <p>More could be done part way through the year to ensure that projections still remain reasonable and that members are warned about any expected seasonal variations still to come.</p>
Value of overall slippage	Percentage of programme	Date of report to P&R Committee																			
£743k	1.9%	24/09/2013																			
£817k	2.11%	19/11/2013																			
£3,908k	10.03%	04/02/2013																			
£8,726k	12.36%	25/02/2014																			
£14,645k	15.19%	20/05/2014																			

Major capital projects currently in progress

No.	Question	Evidence	Conclusion
1.10	<p>Please provide a complete list of the council's major capital projects that are currently in progress (i.e. where a contract has been awarded). Please provide project name, value and expected completion date.</p> <p><i>(We define a 'major' project as having a capital value of £5 million or more. Please exclude rolling maintenance programmes such as replacement kitchens for social housing).</i></p>	<p>Project name: Ardgowan Primary School refurbishment Value £5.3m Expected completion date April 2015</p> <p>Project name: St Patricks Primary School new build Value £5.3m Expected completion date October 2016</p> <p>Project name Gourock Pier & Railhead Development Area, Value £5.3m, Expected completion date September 2015. This project is being managed by Riverside Inverclyde.</p> <p>Project name Roads Asset Management Plan, Value £17m over 2012/2016 with completion of some works during 2016/17-2017/18. This funding contains no individual project that would be considered "major" in its own right but does include spend on "classes" of assets of significant value, ie Carraigeways £11m. A further £12m funding has been agreed "in principle" for 2016-18 however this budget has not been formally approved.</p>	<p>The Council currently have four projects in excess of £5 million.</p>
Overall assessment			
1.11	<p>Thinking about the main issues in the report and how they apply to the council, please summarise the council's overall response and the impact of the report on it?</p>	<p>There were some new points made in the report which prompted discussion amongst members e.g. the timing of post-occupancy reviews and the provision of capital risk registers to members (as well as officers). The report implied that a single capital investment strategy linked to the Council's aims was an appropriate way forward.</p> <p>Inverclyde slightly disagree and are comfortable with having the financial strategy forming the long-term investment strategy with tailored strategies for each key project area and a cross-directorate</p>	<p>The report has focussed the Council's attention on a small number of issues which they intend to address.</p>

No.	Question	Evidence	Conclusion
		Corporate Improvement Group acting as the co-ordination within the context of their overall medium term joined-up capital programme.	
1.12	Is there anything else about how the council has responded to the report or the impact of the report that you would like to highlight?	<p>The Council clearly reviewed the recommendations in the report and completed a self-assessment of their performance. The Council did not agree with the recommendation of the timing of post-occupancy reviews, but were able to put forward arguments to support their rational for not changing the timing of reviews.</p> <p>A series of actions were recommended on the basis of the self-assessment and members asked that performance against these actions be reported back to them.</p>	The Council took the report recommendations seriously and completed a robust self-assessment. They have not reported on performance against this action plan.

Appendix 1b - Stage two checklist

No.	Question	Evidence	Conclusion
Capital investment strategy			
2.1	How does the capital investment strategy set out the needs and constraints for local capital investment?	<p>Different areas of capital investment have their own investment strategies brought together in the Finance Strategy and capital programme.</p> <p>Needs are set out in narrative descriptions and financial needs projections</p>	Strategies and the capital programme as a whole set out tables with available funding and constraints faced by capital projects.

No.	Question	Evidence	Conclusion
		<p>highlight long term assessments regarding the required level of investment.</p> <p>Constraints are predominantly financial and are presented in tables, with narrative to indicate the sources of uncertainty.</p>	<p>The need for capital projects is clearly outlined to members. Major areas of spend are supported by written strategies.</p>
2.2	<p>Does the council have established priorities to help them decide which projects to take forward?</p> <p>Do proposals for new investment projects reflect these priorities?</p>	<p>The general strategy for Council's operations (high-level) is included in the Corporate Statement. Although it doesn't specifically mention capital projects it sets out the vision and priorities for the Council.</p> <p>Members identify priorities with officer support. The priorities in the past have been to deal with parts of the estate accessed by service users which were low quality - especially schools.</p> <p>Other priorities include the basis of condition of the current assets with some flexibility.</p> <p>Community facilities, open spaces, sports facilities and office accommodation are all current priorities.</p>	<p>The Council clearly set out their long term priorities and have acted on them by proposing and carrying out capital investment in these key areas.</p>
2.3	<p>To what extent are stakeholders (such as service users and suppliers) consulted during the development of the investment strategy?</p>	<p>There has been significant consultation with stakeholders such as parents regarding the school estate strategy.</p> <p>Local knowledge from road inspectors of the state of capital assets in the area is combined with input from the general public through the various Community Councils that take place.</p> <p>Where capital projects will impact on specific areas or communities leaflets are issued.</p> <p>There is no formal engagement with the general public on the investment strategy as a whole, but the main areas of the programme are covered by the consultations set out above.</p>	<p>Stakeholders are consulted in many areas, and their views are incorporated into the planning of strategies. The use of Community Councils in certain areas is good, and the Council could consider whether there would be a benefit of extending their involvement in further areas of capital investment.</p>
2.4	<p>To what extent does the council explore opportunities for joint working with other</p>	<p>Joint projects - The Council has been proactive at exploring opportunities for joint working with other public sector bodies . Capital projects identified as</p>	<p>Resource constraints mean that the economies of scale achievable from joint</p>

No.	Question	Evidence	Conclusion
	<p>councils, community planning partnerships and public bodies to improve the efficiency of its capital programme? Does this cover joint projects?</p> <p>sharing resources (staff, facilities etc.)? joint procurement?</p>	<p>actively benefitting include Inverclyde Community Health Care Partnership and Greater Glasgow and Clyde Health Board. A street-lighting project with Renfrewshire Council is progressing. There is potential for further joint working with Renfrewshire and, possibly, East Renfrewshire Councils.</p> <p>The Council have good relationships with other Councils and meets regularly with staff to discuss progress and exchange ideas and information. This may lead to more joint working and eventual sharing of resources, although this is in a fairly early stage and sharing resources may not always the best option for them.</p> <p>Joint procurement - in the large education capital projects, the 'West Hub Scotland' has been used providing analysis and procurement capacity.</p> <p>Smaller projects are often procured through the Excel Scotland framework, which is collaborative in nature and provides additional expertise.</p>	<p>working may outweigh the difficulties of having to compromise when working with partners. Joint procurement, projects and staff sharing are not always the best or only option for delivering best value, but should be considered across the whole portfolio.</p>
Risk and benefits management			
2.5	<p>Does the council carry out appropriate early assessments of risk and uncertainty to improve the accuracy of early stage estimating of the cost and timescales of capital projects?</p> <p>Do assessments adequately reflect the council's experience of delivering such a project?</p> <p>Is greater attention given to projects that are more complex or relatively unique?</p>	<p>The Council assesses the risks of planning of long-term major contracts. Risk registers are in place from the start of projects that incorporate the uncertainty of costs.</p> <p>From the Private Finance Initiative and schools projects, the Council have recently built up a significant amount of knowledge on outturn of programmes against budget. They have identified drivers of early uncertainty in cost accuracy. From analysis of actual results, they know the tendency to underestimate the timescales required for renovation of older buildings compared with building new buildings.</p> <p>More attention is given to unique projects and to more complex projects.</p>	<p>Risk assessments are completed at appropriate stages of the projects. There is adequate focus on the more complex and unique projects. Experiences from these projects have fed into the planning and risk assessments of new projects.</p>
2.6	<p>Are elected members provided with good</p>	<p>Across all committees, actions are proposed and taken in response to risks are</p>	<p>It is reasonable not to provide members</p>

No.	Question	Evidence	Conclusion
	<p>quality information on capital project and programme risks? Do reports include sufficient information on risk identification? risk likelihood? financial impact? actions proposed and taken?</p>	<p>communicated to members. Members then have the opportunity to influence the proposals and/or review performance and actions.</p> <p>Officers have useful information on risks and impacts of those risks, mostly through risk register. Risk is considered at every level of the organisation and stage of capital programmes.</p> <p>Members receive information on risk through the corporate risk register. Only escalated risks would be included in the corporate risk register.</p>	<p>with excessive amounts of detail from each risk register. The Asset Management CIG reviews a consolidated capital project risk register, any risks would be escalated through the normal process to the corporate risk register.</p> <p>Sharing the conclusions of the risk registers with committees may provide members with more information on risk without providing excessive detail.</p>
2.7	<p>To what extent does the council evaluate the overall performance of its capital investment programme?</p>	<p>There is significant evaluation of performance against budget. This was an important metric and an area of improvement in 2012-2013. The Council are also focused on best value and operational performance.</p> <p>Individual projects are monitored in great detail at all stages.</p> <p>For new/refurbished buildings, the post occupation reviews carried out are good, and the Council are looking to increase the number of these.</p> <p>There is no clear single evaluation of the performance of the overall programme as the many, various types of projects do not have a uniform basis for evaluation.</p>	<p>Performance against budget and time allocated is monitored closely and regularly reported to members.</p> <p>There is less consistent monitoring of whether the investments lead to good performance as measured by performance indicators.</p>
2.8	<p>Are elected members provided with good quality information on the <u>intended</u> benefits of capital investment projects and programmes? Are members provided with good quality information on <u>realised</u> benefits of investment?</p>	<p>From the early planning, members are given detailed reasons for the need for capital projects. Intended benefits and projected benefits of different options are clearly set out to members in the various service committees.</p> <p>The Council accept that whilst they are strong at engaging with members over the intended benefits, they provide little information to members on the realised benefits of many projects.</p>	<p>Members are provided with quality, reasonable and timely information about the intended benefits of projects and programmes.</p> <p>There is less information given about the realised benefits, making it harder to measure project performance and whether</p>

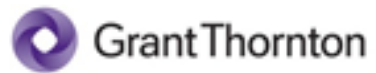
No.	Question	Evidence	Conclusion
		<p>Management see the post-occupancy evaluation as key in assessing whether new buildings have met their intended purpose. These are not currently reported to members to inform them of the realised benefits.</p>	<p>objectives are met.</p>
Governance arrangements			
2.9	<p>Does the council have a clear and effective governance structure in place to support the capital investment programme?</p> <p>Are roles and responsibilities clearly defined and understood?</p> <p>Is there sufficient scope for constructive challenge and effective scrutiny at all stages of the programme?</p>	<p>The Council have a fairly complex governance structure to support the capital programme which is currently proving effective at managing the various programmes.</p> <p>There is a clear rationale for the complex structure, for example, there is a need to have the input of members, but not at the most detailed level; it is sensible to have representatives from finance, but not at meetings setting technical building policies.</p> <p>There is inherently a risk of overlapping roles and responsibilities when multi-disciplinary groups are convened in different situations.</p> <p>There is sufficient scope for challenge and scrutiny throughout the programmes, with input from members, finance, the legal team (where required) as well as senior staff in all areas of the Council and Internal Audit looking at the risks.</p> <p>Officers confirm that members understand their roles and responsibilities and those of their committees. The service committees have clearly defined scopes and remits aligned to key strategic areas.</p>	<p>The framework of service committees is well structured. The P&R committee has an important overall role and members sitting on a range of committees appear to understand their various remits.</p> <p>Around this clear and consistent structure, several different groups of officers have been convened on an ad hoc basis, tailored to the needs of each type of capital scheme.</p>
2.10	<p>Does the council have standard criteria for the content of business cases that reflects good practice?</p> <p>Is the content comprehensive and consistently applied?</p>	<p>The financial regulations provide the basis for capital project proposals. The Council do not believe that business case templates would be the best way to approach business cases, as the significantly different nature of the various projects the Council undertake require individually bespoke, full business cases.</p>	<p>Outline business cases are based on a good model. Full business cases are unusual due to the overall investment strategies but based on a sound set of principles.</p>

No.	Question	Evidence	Conclusion
	Does this cover both outline business cases (initial approval stage) and full business cases (contract award stage)?	Outline business cases at the initiation of projects are based on guidance from Resource Efficient Scotland and the Scottish Futures Trust. The fully costed business cases are then based on these and the principles set out and so in this way the basis of full business cases is consistent across projects and reflects good practice. For example, full business cases for flood defences and for astro-turf football pitches need different sets of arguments and metrics to be included.	
2.11	Does the council have clearly defined project milestones for monitoring and reporting on capital projects? Does this include a clear process for preparing and approving business cases as a key part of decision making and review of all major capital projects?	Project milestones are reported regularly to the relevant service committees within the committee cycle. Processes exist for preparing and approving business cases, often as part of initial planning, strategies or the capital programme itself. These are tailored to each scheme.	When large projects were on-going, the Council had clear milestones which they measured performance against. There is a clear approach to approve business cases.
2.12	Does the council have a policy to collect and retain information on all capital projects including explanations for cost, time and scope changes and lessons learned? Is this information reported in public? Is this information shared across services and with other councils?	There is no specific policy in this area, although data is collected and retained for specific projects. Explanations for variances are formally documented in committee papers and available to the public. This is not completed in a consistent format across the different areas of capital spend, but information is retained and analysed by officers, feeding into 'lessons learned' for future capital projects. Information is not analysed automatically; it forms part of the internal learning of the organisation. As members of the management team sit on different groups across the capital programme, the information and ideas are shared. The Council share this and other information and opinions with other local Councils e.g. Renfrewshire. This applies for the sorts of capital projects which	There is no specific policy to collect and report data sets on capital projects. The Council appear to implement learning from previous projects into the planning of new projects. They could put in place procedures to better embed this process.

No.	Question	Evidence	Conclusion
		are common between Councils.	
2.13	<p>Does the council have a policy to carry out post-project evaluations (PPEs) within six months of a project being complete?</p> <p>Have PPEs been carried out, or planned, for all recently completed major capital projects?</p> <p>To what extent are lessons learned from PPEs reported in public and shared with other service areas?</p>	<p>The Council doesn't agree that post-project evaluation after 6 months is appropriate. For schools, leisure and office accommodation, they feel that the most effective reviews are those which take place around twelve months post- project.</p> <p>The report prompted them to review the current situation, and the Council maintain that 6 months is realistically too soon for post-implementation reviews.</p> <p>Post occupancy reviews are detailed and reported internally. The results feed into the initial planning of new projects which are eventually passed on to members.</p> <p>There is no separate reporting of lessons learned to the public in a specific document. However, the Council demonstrate that they have reviewed the success of previous projects in meetings with members and other stakeholders.</p>	<p>The Council have post-occupancy reviews for buildings and are considering whether they are carried out within the best time frame. Other projects which don't lend themselves to an occupancy review are not subject to the same level of evaluation, but are evaluated for quality during the projects.</p>
2.14	<p>Does the council provide training to elected members on capital issues?</p> <p>Is the training a one-off or part of an on-going programme?</p> <p>Does the training involve the use of independent external advisers?</p>	<p>The Council provide a significant amount of information on capital plans and progress to the members. Many members attend events to obtain more information and ask questions of senior officers. Members pass on questions and comments from constituents in their wards and review answers provided by officers before passing them on to constituents.</p> <p>This detailed information is clear and informative, but the Council accept that it does not constitute training as such.</p> <p>The Council plan to enhance training in these more complex areas for members.</p>	<p>The Council provide a range of information to members.</p> <p>However, this may not meet all of the members training needs, and so the Council should consider setting up training sessions on capital investments.</p>

Appendix 2: Recommendations

Ref	Issue Arising	Recommendation	Management Response
1	The Policy & Resources committee considered the Audit Scotland report on Major Capital Investment in Councils on 13 August 2013 and requested an update on the resulting action plan in August 2014. To date, an update has not been provided to the committee.	Management should provide an update in line with the request from the committee.	An update will be submitted to April 15 Policy and Resources Committee
2	There is no clear single documented evaluation process of capital investments.	The Council should devise and implement a post-implementation review process and supporting policies incorporating good practice to identify benefits realisation and aid learning from completed projects.	The cross directorate Asset Management Corporate Improvement Group will establish a post implementation review process together with supporting policies during 2015/16 to identify good practice and benefits accruing completed projects.
3	Members have varying levels of knowledge of specific areas of capital investment.	Training needs in relation to capital investment should be identified and appropriate training provided to enable robust scrutiny and challenge.	Specific training will be delivered to Elected Member before the summer recess.



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

© 2014 Grant Thornton UK LLP. All rights reserved

