



CAPITAL STRATEGY 2022/23 – 2025/26

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Capital Strategy

1. Purpose

- 1.1 The Council's Constitution requires the Head of Financial Services to prepare a Capital Strategy which:
 - a. Sets out the principles the Council will follow in its capital planning.
 - b. Outlines the methodology for inclusion of schemes within the Capital Programme.
 - c. Sets out the arrangement for management of capital schemes.
 - d. Identifies the capital schemes to be undertaken over the following four financial years and how those schemes will be funded.
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential code also requires local authorities to produce a capital strategy from 2019/20 onwards. The strategy demonstrates how the Council ensures that capital expenditure decisions are taken in line with desired outcomes and consider stewardship, value for money, prudence, sustainability and affordability.
- 1.3 The Capital Strategy document is a key document for the Council and forms part of the Council's integrated revenue, capital, treasury and balance sheet planning. It is a high level document that provides an overview of how capital expenditure and capital financing contribute towards the delivery of desired outcomes. To facilitate this it summarises the Council's approach to capital investment and lays out the means by which capital schemes are prepared, evaluated and monitored and the governance processes around this. It also includes a narrative of how risks associated with capital expenditure are managed.

2. Scope

- 2.1 The Capital Strategy covers all capital expenditure and capital investment decisions for the Council and also those entered into under Group arrangements. The Capital Strategy specifically excludes all investments that are entered into under Treasury Management powers; these are covered in the Treasury Management Strategy. The Treasury Management Strategy also includes the policy around borrowing to finance capital expenditure.

3. Capital Expenditure and Investment

- 3.1 Capital Expenditure can be defined as:
“The acquisition, construction or enhancement of fixed assets (non-current assets) (tangible and intangible) “
- 3.2 Expenditure can be capitalised where it relates to the:
 - Acquisition, reclamation, enhancement or laying out of land.

- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus vehicles or vessels.
- Expenditure incurred on works to any land or building in which the local authority has no future direct control or benefit from the resultant assets, which would be capital expenditure if the local authority had an interest in that land or building
- Loans or grants which will be used for one of these purposes

Enhancement of an existing fixed asset means:

1. To lengthen the useful life of the asset ;
2. To increase substantially the open market value of the asset ; or
3. To increase substantially the extent to which the asset can be used for the purposes of or in connection with the functions of Oxford City Council.

Over-riding all of this is a minimum amount of £5,000 that the Council has set under which value a project or scheme will not be treated as capital.

- 3.3 There are two additional situations where expenditure may be capitalised:
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure. These directions are only issued in exceptional or specific circumstances; and
 - There is specific legislation that directs that certain expenditure or activity must be capitalised.
- 3.4 Capital expenditure and investment seeks to provide long-term solutions to Council priorities and operational requirements. Expenditure for capital purposes therefore gives rise to new assets, increases the value and/or useful life of existing assets and can generate an income stream to the Council.
- 3.5 Expenditure incurred in relation to repairs and maintenance of existing assets, irrespective of the amount, is not classified as capital expenditure; it must be charged to the Revenue Account. Revenue Expenditure is any expenditure which does not meet the definition of capital expenditure.
- 3.6 The following principles have been adopted which are in accordance with CIPFA's new Treasury Management Code of Practice:
- The Council recognises that capital investment in other financial assets and property primarily for financial return and not treasury management purposes, e.g. loans to companies in support of service outcomes and investment property portfolios require careful management and monitoring
 - The Council ensures that all of its non-treasury investments are covered by its Capital Strategy, and sets out, where relevant, the Council's risk appetite and specific policies and arrangements for

its non-treasury investments. The risk appetite for these activities may differ from that for treasury management

- The Council has compiled a schedule setting out a summary of its existing material investments and liabilities including financial guarantees together with the Council's associated risk exposure

4. Links to Other Corporate Strategies and Plans

4.1 The Council has an overarching view of its future direction, Oxford2050, which was extensively consulted upon prior to being finalised. This vision can be found on the website:

<https://oxford2050.com/>

4.2 The Vision has 5 overarching themes:

- Work and learning
- People and communities
- Built and natural environment
- Transport and connectivity
- Culture and leisure

4.3 Supplementing this, the Council has a Corporate Plan which sets out the Council's vision and priorities for the City.

4.4 The Council's Corporate Plan 2020-2024 sets out the following five strategic priorities:

➤ **Foster an inclusive economy**

Oxford needs a more inclusive economy in which wealth is distributed across our communities and where all residents can share the benefits of growth.

➤ **Deliver more affordable housing**

Intervention is needed to address Oxford's housing crisis where existing homes are unaffordable for many and demand for good quality homes outstrips what is available.

➤ **Support flourishing communities**

Oxford's diverse communities should be equipped, supported and enabled to ensure everyone is able to play a full part in the life of our city.

➤ **Pursue a zero carbon Oxford**

The clear message from Oxford's Citizens' Assembly on Climate Change is that citizens want the city to continue to take a lead in reducing emissions and increasing biodiversity.

4.5 Aligned to the Corporate Plan are a number of subsidiary and complementary plans and strategies. Examples include:

- Medium Term Financial Strategy
- Oxford Economic Growth Strategy
- Oxford Growth Strategy

- Regeneration Framework
- Treasury Management Strategy
- Housing Strategies
- Service Plans

4.6 The operation of all of these strategies and plans is underpinned by the Council's Constitution, in particular the Contract Procedure Rules and the Financial Regulations. Capital resources are directed to those projects that optimise the achievement of the overall outcomes as set out in these strategies and plans. The processes adopted are designed to ensure that this happens.

5. External Drivers

5.1 In addition to the Council's own priorities external influence may impact on capital decisions, for example central government, Growth Board and local enterprise partnership (LEP) priorities and funding requirements and the influence of demographic and legislative changes.

6. Setting the Capital Budget

6.1 Identifying Capital Expenditure / Investment Need

The need for a capital project may be identified through one or more of the following processes:

- Service areas prepare plans for the delivery and improvement of their services which align with the overall desired outcomes of the Council; these may identify any capital investment needed to meet future service outcomes;
- Property management processes and condition surveys highlight deficiencies in the condition, suitability and sufficiency of the Council's existing property portfolio and identify future areas of need;
- Housing Management highlight deficiencies in the condition, suitability and sufficiency of the Council's existing housing stock and identifies future areas of need;
- The need to respond to Government initiatives and new laws and regulations;
- The need to generate a revenue income to contribute to the delivery of desired outcomes.

6.2 Assessing Capital Expenditure / Investment Need

6.2.1 Due to competing demands for limited resources, the Council prioritises capital investment based on a number of different factors such as:

- Its contribution to corporate priorities
- Necessity both in terms of physical Health and Safety and also software security

- The extent to which it facilitates delivery of statutory or non-statutory services
- The ability of the project to leverage additional funding, or secure a future income stream
- The affordability of the revenue implications of the project
- The risk of undertaking / not undertaking the capital expenditure

6.2.2 For capital expenditure in relation to loans to companies, these are assessed on the ability to provide an income return to the Council, not necessarily from the loan itself but from a future dividend return. This is assessed on a risk based approach compared to financial return.

6.3 Environmental Considerations in Capital Decision Making

6.3.1 There are many benefits to including sustainability or environmental criteria in the decision-making process when it comes to allocating capital resources.

6.3.2 “Green” or sustainable procurement can help to develop markets for environmentally sound products and services, thereby encouraging the market to develop a more sustainable approach which should encourage the further development of sustainable products and services.

6.3.3 One of our key priorities previously demanded a reduction of up to 5% carbon emissions’ on installed measures. This has been increased to a 10% reduction year on year following adoption of the “Zero Carbon Council by 2030: 4th Carbon Management Plan, 2021/22 to 2029/30” policy in February 2021. Project Managers are encouraged to consider the installation of measures which are both energy efficient and low on carbon emissions in the capital projects for which they are responsible.

6.3.4 In making loans to companies in which it has an interest, the Council will seek to use its influence to ensure that appropriate environmental considerations are reflected in the entities it is lending to.

6.4 Key Questions

6.4.1 The Prudential Code asks three key questions of any investment decision:

- is it prudent;
- is the scheme affordable; and
- will it prove to be sustainable?

Prudence

6.4.2 Prudence is a difficult concept to define. In deciding whether an investment decision is prudent there should as a minimum be an initial consideration of the relationship between:

- the capital cost and
- the business cost (being the revenue costs associated with the use of the asset).

6.4.3 The authority needs to consider whether this choice represents the best use of resources having looked at all available options: will buying the cheapest now prove to be a false economy? Above all, the authority should be confident that the preferred option is the best value for money, and the quality is sufficient to meet the Council's needs.

6.4.4 Prudence and value for money are also key considerations when deciding whether to loan monies to new companies, this will include security of the loan and the likely pay back period and length of the loan.

Affordability

6.4.5 The question of affordability in relation to capital projects is easier to address as the list of cost components is easier to define. Whilst the list is not exhaustive it will typically include:

Capital Costs	Revenue costs
Feasibility costs	Ongoing rental charges
Initial build/purchase	Ongoing facilities management charges
Disposal/demolitions/de-commissioning costs	Utilities costs
Project management costs internal and external	Maintenance (planned and reactive)
Fees: Surveyors, Clerk of works	Financing costs
Loans to companies	Staffing implications
Investments in property	Business Rates

6.4.7 Feasibility costs may be capitalised provided the scheme leads to the eventual construction of an asset, if not, any such costs incurred must be charged to revenue.

6.4.8 Affordability in respect of investments in property will be a judgement as to whether the return, both financial and service benefit, after taking account of the cost of capital is sufficient.

6.4.9 Affordability in respect of investments in companies will need to consider the contribution towards the Councils Corporate Objectives as well as the financial return and potential dividend.

Sustainability

6.4.10 The third question the Code poses relates to sustainability. In assessing whether a capital investment is sustainable, the authority should consider:

- How it fits into any future policy or environmental framework
- The future availability of resources to implement and continue to maintain any capital asset arising
- The potential for changes in the need for the asset, e.g. demographic developments

- The potential for changes in the nature of the driver, problem, or policy the capital expenditure is seeking to address.
- The security on loans made
- The liquidity of investments
- The whole life costs of the project

6.5 Assessing the Impact of Capital Investment on Overall Finances

6.5.1 The assessment of schemes will ensure that the relationship between capital accounting, capital and revenue expenditure and treasury management are considered by identifying the impact that capital investment decisions have on the finances of the authority overall and the relative impact on the General Fund and Housing Revenue Accounts.

6.5.2 The process of adhering to a strict option appraisal methodology and setting prudential indicators will clearly illustrate the revenue impact of capital investment decisions. As well as identify alternative solutions.

6.6 Prioritising Investment

6.6.1 The Capital Strategy plays an important role in the Council's service planning and budget process. Capital Expenditure projects are assessed and monitored using a comprehensive project management framework that ensures capital resources are specifically targeted towards schemes that best meet and deliver the Council's corporate objectives. The process includes the production of fully costed business case. Approved schemes are subsequently monitored to ensure delivery is on time, within budget and meets the projects objectives. More detail on this is shown in Section 7.

6.6.2 Capital Investments projects such as Loans to companies and purchase of property are assessed differently. When considering loans to companies the Council will consider any Business Plans available to ensure that the loans are sound and that the Council's money is secure. Purchase of property is prioritised based on the net return to the Council and the economy and taking into account a range of other factors which are outlined in Section 14.

6.7 How Schemes Get Included in the Capital Programme

6.7.1 The Council believes that capital programme delivery is essential to support the services that the Council provides to its customers. To this end a Project Management Office and associated Project Development Team are in place and resourced.

6.7.2 All capital schemes and major projects are assessed and filtered by the Project Management Office and the Review Group prior to being passed through to the Operational Delivery Group or the Development Board and then through to Corporate Management Team.

- 6.7.3 Once schemes have been approved to the business case stage and are no longer waiting as a pipeline project they will be presented to Members for inclusion into the draft capital programme which is considered alongside the draft Medium Term Financial Plan. Final approval of the capital programme will be at the Council meeting in February of each year.
- 6.7.4 As part of the process of producing a list of potential schemes for the capital programme service managers must complete option appraisals to determine the most cost effective way to optimise the desired outcomes.
- 6.7.5 Capital schemes and adjustments to capital scheme budgets can be added to the capital programme during the year, however this will be by exception and will still need pre-approval through the Capital Project Process prior to being submitted to Members.
- 6.7.6 It is recognised that there needs to be a process whereby the Council's customers can have input into what is needed for the City. The outline of how the Council seeks to accommodate this is shown in Appendix 2.

7. Performance Monitoring

Council in-house Capital Schemes.

- 7.1 Capital expenditure is reviewed for its legitimacy in meeting the definition of a capital purpose and is reconciled monthly. Monthly monitoring meetings are held between Responsible Officers allocated to deliver capital projects and finance staff. For larger projects this may mean the setting up of a Project Board with officers and advisors covering a variety of expertise, chaired by a lead officer who is responsible for the delivery of the project.
- 7.2 All responsible officers and project managers can obtain monthly financial reports via the Council's Financial Management System, Agresso, advising them of current spend against the profiled budget with variances shown. Officers are responsible for providing an outturn forecast for the project and reasons for any variance.
- 7.3 Performance of the Council's Capital Programme is reported to the Cabinet via the Quarterly Integrated Report plus the out-turn report. The Integrated Reports to Cabinet also summarise the risk profile of the schemes in the capital programme. The Cabinet Member for Finance and Asset Management receives a detailed update on scheme progress and reports to Cabinet show the stage that each project is at and which projects are still subject to feasibility.
- 7.4 Development Board also review the Capital Programme in detail on a monthly basis, and discuss and approve slippage and underspends of each of the current schemes. The Head of Financial Service has authority to reschedule projects into the following year or pull a project forward from a proceeding year. In cases where a project is forecasting an overspend of

£250k or more and cannot be funded from other scheme underspends then the overspend must be reported to Council.

Loans to Companies

- 7.5 This relates to capital expenditure on capital loans to Council owned or jointly owned companies. These schemes are included within the Council's capital programme and as such are reported on in the same way as other capital projects.
- 7.6 Loans to Companies will require the monitoring of the operations of the borrower. This will take the form of performance and financial monitoring reports to Shareholders. The Shareholder can comment on any issue of concerns with a recommendation for corrective action where appropriate, with the ultimate sanction of loan call in. In addition to this, more regular monitoring of the performance of companies is undertaken by the Head of Financial Services.
- 7.7 Where loans to companies have been financed from borrowing, there will be no charge to revenue in respect of the principal element of the loan whilst the Council is satisfied that the company business plans support repayment in line with the agreed terms. The receipt from the company of principal repayments will then be a capital receipt which will be used to reduce the capital financing requirement. Where the Council has uncertainty over the repayment of loans, a charge to revenue will be made commensurate with the level of risk. This is in line with the Council's Minimum Revenue Provision (MRP) statement. It is anticipated that this will change for 2023/24 following a consultation on MRP changes by the government.

8. Outline of the Capital Project Review Process

- 8.1 Projects and Capital funding bids will pass through a series of stages unless they are specifically exempted from this process (see 8.3). The process is designed to ensure that the bids and a project's progress are monitored and assessed through a robust process aligned to the Capital Strategy.
- 8.2 The process will require specific documentation to be completed and submitted for review and challenge at various stages. Capital funding bids are to be submitted by September of any year, and funding is approved, ready for release during the new Financial Year (beginning April); the documentation requirement will ensure that capital expenditure or capital project details and its associated business case are recorded, in a consistent manner, so that any scheme can continue with all parties understanding the proposed outcomes and costs.
- 8.3 Some schemes will not need to go through the full process. Though the capital expenditure will need to be understood for aspects such as vehicle replacement or fencing maintenance, these will not be subject to the Gateway Process other than the first stage (Proposal). These aspects will be managed within Service Areas and be subject to budget monitoring.

8.4 A high level outline of the process is as follows:

- A project is proposed
- The proposal is reviewed and normally recommended to go through feasibility
- Projects in feasibility, as well all projects fully in the capital programme, are reported to Cabinet
- A business case, based on the feasibility outcome, is produced
- Approved business cases go into the project pipeline
- Projects in the pipeline are put forward at relevant times for approval by Cabinet and entry into the capital programme where funding is allocated
- Capital Monitoring reports are incorporated into the quarterly integrated report and include the status of all schemes alongside financial information
- Project closure and lessons learnt.

8.4 Once a project has been approved, as well as governance and assurance gateways, monitoring reports will be required, for review by the Development Board.

8.5 Governance arrangements for a project are to be proposed to the Development Board, who will revise or ratify the arrangements and make recommendations to the Corporate Management Team (CMT). Should responsibility for the project be delegated by the Development Board, the delegated authority (typically the Operational Delivery Group) will be responsible for the completion of any governance and assurance. Monitoring reports regarding the Capital Bid and Projects will continue to be submitted for review by the Development Board irrespective of whether authority has been delegated or not.

8.6 The six stages of the process are listed below and detailed in Appendix 1. The financial appraisal of capital projects, which will be summarised within the business case document, is detailed in Section 10.

- Ideas and proposals
- Feasibility and options appraisal
- Design and specification
- Pipeline
- Delivery
- Closure

9. Capital Funding

9.1 There are a number of sources of funding the Council can use to finance its Capital Programme. In the past the Council has relied heavily on capital receipts to fund its General Fund Programme but with limited property available for sale these are gradually being eroded. With continuing budgetary pressures being placed on the Council's General Fund the ability to use direct revenue funding is reducing and consequently the Council will need to either find

alternative sources, use prudential borrowing, or curtail its ambitions for capital spend.

9.2 The Council's Capital Programme is currently funded from the following sources:

- Capital Receipts
- Prudential Borrowing
- Developers Contributions e.g. s106 receipts and Community Infrastructure Levy (CIL)
- Revenue Contributions
- External funding – Capital Grants and contributions e.g.
 - Disabled Facilities Grant – housing adaptations within the private sector
- Housing Revenue Account Financing including the Major Repairs Reserve

9.3 Capital Receipts

9.3.1 The Council can recycle capital receipts generated from the disposal of assets back to fund both General Fund and HRA capital projects. As at the 31 March 2021 the Council had £6.1 million of usable capital receipts available to fund future capital spend of which £5.3 million is ringfenced to schemes that increase the supply of affordable housing and £0.8 million is available for any General Fund capital financing.

9.3.2 The City Council owns many assets and the continuation of holding such assets is reviewed and decisions are taken on whether to:

- Hold and continue to maintain and refurbish them, or
- Dispose of them and generate a capital receipt for funding the Capital Programme.

Further information on Investment Properties can be found in Section 11.

9.3.3 The Council has entered into an agreement with the Department for Communities and Local Government in which the authority will recycle within a rolling 3 year period Right to Buy (RTB) receipts arising from "additional" RTB disposals into new social housing dwellings within the City. There are rules around the sum allowed per new social housing build project from funding source. However, the Council currently anticipates all receipts will be utilised on eligible schemes as and when they arise. As at the 31 March 2021 the Council had £5.3 million of these receipts.

9.4 Prudential Borrowing

9.4.1 Under the Prudential Framework local authorities are free to make their own judgements as to whether new borrowing is affordable and prudent, subject to a duty to follow agreed professional principles, which are contained within the Prudential Code.

- 9.4.2 There is approximately £373 million of Prudential Borrowing anticipated up to and including 2025/26. This is to fund the costs of social housing provision, repairs to Council properties, funding loans to Council companies plus some operational capital schemes.
- 9.4.3 Borrowing under the Prudential Framework can be used to finance Spend to Save Schemes where the capital investment achieves either revenue savings, or facilitates cost avoidance.
- 9.4.4 Prudential borrowing to fund capital projects will likely, depending on the nature of the capital investment, bring with it the need to make a charge to revenue to reflect the cost of borrowing. The basis for this charge, known as Minimum Revenue Provision (MRP) is set out within the Council's Treasury Management Strategy. This cost, where it is to be incurred, will be included the financial appraisal as part of any project's business case.
- 9.4.5 Prudential borrowing for property fund investments in the National Homelessness Property Fund and the making of loans to companies does not currently require an MRP since the loan will ultimately be repaid to the Council and within an agreed timescale. However the value of the investment is reviewed annually and should the value deteriorate then impairment would need to be charged to the revenue account.
- 9.4.6 It is the view of both CIPFA and the Government that borrowing should not be used to finance commercial investments (investments intended primarily for revenue gain). In the prudential code and treasury management code coming into full force in 2023/24, there is a requirement to review whether any existing commercial investments are still appropriate to hold prior to using any additional borrowing to finance capital expenditure.
- 9.5 **S106 Developer Contributions/Community Infrastructure Levy (CIL)**
- 9.5.1 Developer contributions and CIL are sought to mitigate the impact of developments and to overcome what would otherwise be a potential reason to refuse a planning application. Following the introduction of CIL the Council primarily seeks S106 contributions to meet the social housing targets within current planning policies.
- 9.5.2 The CIL charging mechanism which largely replaces s106 monies can be claimed to fund:
- Community Facilities,
 - Indoor Sports Facilities,
 - Public Open Space,
 - Environmental Improvements,
 - Public Art,
 - Highway measures (inclusive of Park and Ride, Pedestrian measures, Cycle Facilities etc.),

- Education,
- Libraries,
- Waste Recycling,
- Youth Services,
- Museum Resource Centre and
- Day Care Provision for Adults.

9.5.3 In order for CIL to work properly strong partnership ties with the Council's public sector colleagues at Oxfordshire County Council, Oxford University, Oxford Brookes University, the Clinical Commissioning Group and neighbouring District and Borough Councils. Community organisations may need to be established and enhanced over time.

9.6 Revenue Contributions

9.6.1 Revenue funding can be used to directly finance capital expenditure. The amount that is available is dependent on other revenue income and expenditure and is driven by the Medium Term Financial Plan. Revenue Reserves can also be used to supplement the in-year funding. The levels of revenue funding available overall are subject to the judgement of the Head of Financial Services (the section 151 officer) who will assess the necessary levels of general balances and earmarked reserves.

9.7 External funding

9.7.1 External funding can be sought to support capital schemes and indeed this is to be encouraged since it increases the level of resources available to the Council. However prior to submitting bids for grant funding, an assessment of the proposed scheme must be undertaken including all revenue implications and conditions of the funding. The Development Board and the Head of Financial Services must agree to the capital project and the submission of a funding bid prior to entering into any commitment.

9.8 Housing Revenue Account Specific Funding

9.8.1 Capital commitments can be funded from surpluses within the Council's Housing Revenue Account (HRA). The production of a 30 year HRA Business Plan, which is periodically reviewed, enables the funding needs of the Council's housing stock to be accommodated. The amount of surplus is influenced by rents which, for four years from 1/4/2016, have been limited by Government to a year on year decrease of 1%. Under the Government Rent Standard, since 1/4/2020 rents may only be increased by CPI +1% for a period of 5 years for local authority and housing association social rents. This in turn limits the amount of funding available to finance capital expenditure

- 9.8.2 The HRA can utilise prudential borrowing. The HRA originally had a debt cap from 2012 but this cap has now been abolished by Central Government.
- 9.8.3 The HRA is charged with depreciation which, unlike the General Fund, is not reversed out and so is a real charge to the account. This amount is then available through the Major Repairs Reserve for financing new capital expenditure.
- 9.8.4 The resulting HRA Capital Programme provides for renovation and improvement of existing housing stock and limited estate regeneration. Since the lifting of the HRA debt cap in 2018 there is now scope for purchasing or developing properties in the HRA. The Council makes use of this relaxation by purchasing social housing developed by the Councils Housing development company Oxford City Housing (Development) Ltd (OCHDL)

10. Financial Assessment of Business Cases

10.1 General

10.1.1 Where proposals are all intrinsically part of the same project, these can be combined into one business case. Where they are distinct i.e. benefits will accrue if one part is undertaken but not the other, then separate modelling should be undertaken to give the option of taking one part without the other. Where there are potential variations within aspects of the project, an options appraisal should be undertaken.

10.1.2 For grant funded projects, separate analysis should be undertaken to ensure that any benefits outweigh any costs incurred in addition to that funded directly by grant. Grant projects are not risk free and care should be taken about the risks fall and the potential impact of those risks on the Council or the City. **Projects must be approved by the Chief Finance Officer prior to applying for grant funding.**

10.1.3 The purpose of the financial appraisal element of a business case is to:

- identify the financial implications for the project,
- allow comparison of project costs against the forecast benefits,
- ensure the project is affordable; ensure every cost associated with the project is considered,
- assess the financial impact of risks associated with the project
- understand the project sensitivities and the potential impact of these
- assess value for money, and
- predict cash flow.

10.2 Financial Analysis

10.2.1 Financial analysis must be undertaken with support from the relevant service accountant. The Financial Analysis must include:

- All marginal Capital and Revenue requirements
- Impact on the Balance Sheet

- The impact on the Revenue Account
- The impact on cashflows
- Overall affordability and funding

10.2.2 Costs which will no longer be incurred due to the project should be included as a benefit and likewise income which will no longer be received should be included as a cost.

10.2.3 The Financial Analysis must be undertaken on the basis of a full financial cost benefit analysis with all key assumptions identified, aiming for as much accuracy as possible. Costs and benefits should exclude VAT where this is recoverable but should include non-recoverable tax (such as national insurance, corporation tax and Stamp Duty Land Tax). Financial analysis must be iterative because as the business case is developed, earlier work must be revisited to verify the continued applicability and valuation of costs and benefits.

10.2.4 Capital Funding for capital projects must be assumed to be through borrowing unless there is specific funding for the project which only becomes available to the Council through undertaking the project i.e. the construction of a new building which directly frees up another asset for sale in which case the capital receipt from that potential sale can be used as financing or part-financing. Where it is proposed to use capital funding other than borrowing for financial analysis purposes, this must be explicitly agreed by a Finance Manager (the Financial Accounting Manager or the Management Accounting Manager). Where it has been agreed to use other funding sources in the financial analysis, care must be taken over timings and to ensure costs of bridge funding are included in the analysis.

10.2.5 The rate of interest to be used for borrowing will be based on PWLB rate projections indicated by the life of the asset and the expected timing of the funding requirement. Rates to be used will be set for each budget round by the Financial Accounting team.

10.2.6 The period of time each case is assessed over depends on the life of the asset / project. As a guide:

- For capital based projects the assessment should be over the life of the asset and should include all costs and benefits for the whole of that life;
- For revenue based projects the assessment should be over a 5 year period.

10.2.7 All costs and benefits must be clearly broken down so that it is clear what is included and so that the behaviours of the individual elements can be properly assessed and scrutinised. Costs and benefits with different behaviours and / or dependencies should therefore be separately identified. This analysis should be undertaken from both a cash and a revenue account perspective. Detailed workings should be available in excel format and all assumptions must be identified.

10.2.8 The overall impact on both the income and expenditure account and the impact on the balance sheet should be identified based on the analysis.

10.2.9 The following indicators must be provided for the financial cost benefit analysis:

- Net Present Value (NPV)
- Payback period (years)
- Benefit/Cost Ratio
- Internal Rate of Return (IRR)

The NPV, payback period and Benefit / Cost Ratio calculations must use a discount rate of 3.5% (as per the Treasury Green Book which is the discount rate the Council uses as a standard). The indicators must be calculated using both a cash and a revenue basis. The payback period should be provided on a discounted and a non-discounted basis.

(NB there will be other non-financial costs and benefits and these should also be identified in the business case but not as part of the financial analysis element.)

10.3 Risk Assessment

A risk assessment should be undertaken using the Council's standard methodology. The assessment summarises the significant risks specifically related to the project and should explain clearly what the causes, consequences, controls and mitigations are and how the risks are managed. There are other high level risks inherent in capital programmes and these are covered in Section 14.

10.4 Sensitivity Analysis

10.4.1 Sensitivity analysis should be undertaken based on the risks of the project and the key assumptions adopted in the financial analysis. Sensitivity analysis concerns project risk and looks at alternative futures by measuring the impact on project outcomes or assumptions of changing values in which there is uncertainty.

10.4.2 The actual sensitivities used may vary from project to project but some basic sensitivities should include:

- Costs more than expected by 5%
- Expected savings / income less than expected by 5%
- Costs more than expected by 5% AND expected savings / income less than expected by 5%

The NPV and other indicators of each of these scenarios should be shown against the baseline case.

Also:

- How much would costs need to increase / savings need to reduce by to make the project unviable

10.5 **Business Case Financial Assessment**

- 10.5.1 The key assessment criterion is the NPV measure. IRR can be a useful guide but also can be unreliable when comparing projects with different cash flows.
- 10.5.2 The Payback period is useful but normally doesn't take account of the discount factor, hence the need for inclusion of a separate discounted payback period.
- 10.5.3 The sensitivity analysis gives an indication of how the project will fare given variations, however judgment will have to be applied on the probability of those variations.
- 10.5.4 Undertaking analysis of the cashflows and revenue impact allows the impact on both the profit and the liquidity of the organisation. It may be that there will be a limit placed on the amount of projects undertaken from a strategic perspective based on the cashflow and revenue impact and associated risks as well as other non-financial factors (such as capacity).

10.6 **Standard Models**

Standard base models will be developed and revised over time, however there can never be a one size fits all approach since all projects are different and the assumptions and sensitivities will vary from project to project, however some assumptions will be consistent to enable comparison between projects. These standard assumptions will be developed and refined over time by the Financial Accounting Team within Financial Services and in any case will be reviewed for each budget round. The standard assumptions will include what general inflation figures should be used for different types of expenditure and income; variations from this can be agreed, however justification for the variation would be needed.

10.7 **Inclusion of Financial Information in a Business Case Document**

Financial analysis of a project is undertaken using excel modelling techniques. It is not appropriate to include this in detail in the Business Case for a project. Instead the key aspects of the financial analysis should be summarised, identifying the key factors such as:

- Revenue impact
- Cashflow impact
- Summary of indicators
- Sensitivity impacts

11. **Existing Property Investments**

- 11.1 The Council has a substantial portfolio of properties that are held for revenue or capital returns and not for service delivery. The gross book value of these properties as at 1st April 2021 was £119.1 million. Rent

due to be received in 2021/22 was £10.3 million of which it is anticipated that £3.8 million will need to be written off due to the economic impact of the pandemic. This has already been included in the Council's forecasting.

- 11.2 Staff within the property team have experience dealing with commercial property from within the private sector.
- 11.3 It is recognised that lease and covenant strength is a key factor in relation to the maintenance of property rental income levels and therefore potential tenants and lease agreements are assessed for:
- Tenancy Strength – the ability of the tenant to pay rent on time and in full.
 - Lease length – the unexpired term of the lease and any break clauses in the lease
 - The risk associated with a tenant vacating and the potential to attract good quality replacements tenants at acceptable rental levels
 - Repairing and other terms within the lease agreement
- 11.4 The existing property portfolio is monitored on an ongoing basis by the Council's Property Team and is normally focussed on the risks associated with each tenancy, taking into account a number of factors including tenant those bullet pointed above. The focus has shifted to a shorter view because of the pandemic to a tracker which considers current arrears positions and records a summary of the latest position and contacts with tenants. A modified approach which will measure overall levels of assessed risk by tenancy will be worked on over the next few months.

12. Loans to Companies

- 12.1 In response to reducing resources the Council has looked to new delivery models to maintain service provision and continue its significant capital investment in the City which levers in other partners and innovative financing. These new delivery models include:

12.2 Barton Oxford LLP

- 12.2.1 In 2011 the City Council entered into a partnership with the property developer Grosvenor to undertake the development of a 94 acre residential led scheme to the North East of Oxford, Barton Park.
- 12.2.2 Planning permission has been secured for 885 homes (354 affordable) alongside a primary school, food store, community hub and park.
- 12.2.3 The authority has contracted to purchase the 354 affordable dwellings which it will transfer to its Housing Company or to its Housing Revenue Account.
- 12.2.4 There is no loan as such to the Barton Oxford LLP, however the Council did transfer some of its land which it was expecting to receive a

payment plus interest. Due in the main to adverse market conditions, it is no longer expected that the Council will receive payment for this land and so the long term debtor was fully impaired in 2018/19.

12.3 Oxford City Housing Ltd (OCHL)

12.3.1 The City Council approved the establishment of a group of wholly owned housing companies in March 2016 and Oxford City Housing Limited (OCHL) (The Holding Company), Oxford City Housing (Investment) Limited (OCHIL) and Oxford City Housing (Development) Limited (OCHDL) were incorporated in September 2016.

12.3.2 The Companies' business plan includes the purchase of Barton Park properties plus the development of multiple development sites resulting in social dwellings plus additional market and shared ownership dwellings. The social dwellings are planned to be purchased by the Council's Housing Revenue Account.

12.4 Oxpens West End Development Company Limited (OxWED)

12.4.1 In January 2016 the Council entered into a joint venture with Nuffield College forming OxWED. The company acquired land from London and Continental Railways and following a period of master-planning will procure a development partner, complete land assembly, and bring forward a scheme of comprehensive development comprising a new mixed use neighbourhood with business space and affordable and market homes.

12.4.2 The Council has also transferred its own related land holdings into the company at market value.

12.4.3 The company has now been converted into a Limited Liability Partnership (LLP).

12.5 Oxford Direct Services

12.5.1 In 2017 the Council formed two wholly owned companies:

- Oxford Direct Services Limited, a Teckal company largely providing services back to the Council and
- Oxford Direct Service Trading Limited, a Trading Company which initially is limited to commercial waste collection but in future will expand to include all external trading activity

12.5.2 The two companies became operational on 1st April 2018.

12.5.3 The Council is and will remain the owner and purchaser of all assets that the companies will utilise to deliver their services, including vehicles and depots. These assets will be leased to the company at commercial rates over the life of the assets.

12.6 Loans to the Companies

12.6.1 As at 1st April 2021 the following loans that the Council had given to the companies were outstanding:

- £13.210 million to OCHIL for the purchase of properties from the Housing Revenue Account and at Barton Park
- £27.20 million to OCHDL for the purchase of land and development costs
- £6.50 million to OxWED for the purchase of land from London and Continental Railways and £4.16 million for the purchase of land at market price from the Council
- £0.60 million to OxWED for working capital

12.6.2 Further loans have been granted during 2021/22:

- £2.06 million to OCHIL for the purchase of Barton properties
- £0.31 million to OCHDL for the purchase of land and development costs
- £0.46 million to OxWED for working capital
- £0.40 million to OxWED relating to converting the partnership to an LLP

12.6.3 There are plans for further loans to the Housing Company to the value of £36 million for OCHIL and £55 million for OCHDL up to and including 2025/26.

12.6.4 The Council either holds the land and property relating to the capital loans as collateral or has the ability to place a charge on the property. The Council ensures that due diligence is undertaken in all aspects of these new service delivery models and their activities. The business plans of the Companies are monitored and if there is uncertainty over the repayment of these loans, the Council will make a charge for impairment to its revenue account. Currently the Council does not consider that there is any significant risk of non payment of these loans.

12.6.5 Any loan for capital purposes to a company in which the Council has an interest is categorised as capital expenditure by the Council. This means that the Council can take out external borrowing to fund the loans as necessary. The Council could fund such loans from many sources; however, the majority will be funded from internal and external borrowing. Under current rules, the Council will not make any MRP provision in respect of loans to a Company in which it has an interest on the basis that the loan will be repaid in full on the agreed terms. The Council provides these loans under service powers rather than its Treasury Management investment powers.

12.6.6 Interest rates charged on the loans are set with reference to:

- The level of collateral;
- An assessment of the credit worthiness of the company; and
- State Aid rules

12.6.7 Loan agreements are in place for any loans to Companies in which it has an interest. The agreements will detail:

- The general terms under which the loan is advanced;
- Loan repayment requirements;
- What security there is on the loan with reference to collateral; and
- Any loan covenants that must be adhered to.

13. Transformation Funding

13.1 As a general rule it is not lawful to use capital resources to finance revenue expenditure; this is based on legislation applying to local authorities. DCLG issued the Statutory Guidance on the Flexible Use of Capital Receipts in March 2016. The Local Government Act 2003 (“the Act”), section 15(1) requires a local authority “... to have regard (a) to such guidance as the Secretary of State may issue, and (b) to such other guidance as the Secretary of State may by regulations specify ...”. The guidance on use of capital receipts flexibility is issued under section 15(1) of the Act and authorities are therefore required to have regard to it. A Direction made under section 16(2)(b) of the Act was also published to give the actual statutory powers to apply this flexibility. The guidance has been updated to include the financial years 2016/17 to 2021/22.

13.2 Oxford Direct Services Limited is undertaking a transformation project. The overall intention of the Transformation project is to transform the operations of Oxford Direct Services (ODS), increase their competitiveness and therefore increase the dividend paid back to the Council. The project consists of a number of elements including the replacement of assets, restructuring the workforce and improving the ICT systems used by the Company. This update is concerned with the capitalised revenue costs of the transformation relating to technology, project management, consultancy and voluntary redundancy. There has been a £1.25 million capital transformation grant formally approved for ODS to fund this after considering the projected returns from the capitalised revenue aspects of the project. The capital grant is paid to ODS on the condition that it is repayable if the increased efficiencies and the increased dividend to the Council are not achieved.

13.3 Local authorities cannot borrow to finance the revenue costs of service reform. Local authorities can only use capital receipts from the disposal of property, plant and equipment assets received in the years in which this flexibility is offered. Local authorities may not use their existing stock of capital receipts to finance the revenue costs of reform. There are sufficient capital receipts both from general sales and from the repayment of the vehicle leases in place between the Council and Oxford Direct Services Limited to finance the capitalisation of the Oxford Direct Services transformation costs.

13.4 The progress and delivery of the capitalised revenue cost element must be reported on an annual basis within the Capital Strategy. Due to the effects of the Covid-19 pandemic and delays in the

implementation of the QL computer system, the planned savings to ODS have been understandably delayed, however ODS remains confident that the expected efficiencies can still be achieved, although in later years than originally anticipated.

14. Risk Management

- 14.1 Risk is the threat that an event or action will adversely affect the Council's ability to achieve its desired outcomes and to execute its strategies successfully.
- 14.2 Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.
- 14.3 The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The corporate risk register sets out the key risks to the successful delivery of the Council's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.
- 14.4 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.
- 14.5 It is important to identify the appetite for risk by each scheme and for the capital programme as a whole.
- 14.6 The Council accepts there will be a certain amount of risk inherent in delivering the desired outcomes of the Oxford2050 Vision. The Council seeks to keep the risk of capital projects to a low level whilst making the most of opportunities for improvement. Where greater risks are identified as necessary to achieve desired outcomes, the Council seeks to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.
- 14.7 In producing its capital plans, the Council will ensure that its approach to activities is proportional to its overall resources so that undue risk is not placed on the Council's future financial position.
- 14.8 The Following risks should be considered in the Project Risk Assessment:

- **Credit Risk**
This is the risk that the organisation with which the Council has invested capital monies becomes insolvent and cannot pay the investment returns or complete the agreed contract. Accordingly, the Council will need to ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.
- **Liquidity Risk**
This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This also includes the risk that the cash inflows will be less than expected.
- **Legal and Regulatory Risk**
This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, the Council must understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations must be kept under review and factored into any capital bidding and programme monitoring processes.
- **Interest Rate Risk**
Interest rate risk must be considered at a project level where there are potential project level impacts, for instance through contractual conditions or through the effect on expected returns from the project.
- **Inflation Risk**
Inflation risk must be considered at a project level where there are potential project level impacts, for instance through contractual conditions or through the effect on expected returns from the project.
- **Fraud, Error and Corruption**
This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the Council's policies and procedures.

14.9 The Following risks are considered at a Corporate level as part of the overall capital and revenue budgeting process:

- **Interest Rate Risk**
This is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

- **Exchange Rate Risk**
This is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible exposure to this risk will be mitigated via robust contract terms and, when necessary, contract re-negotiations.
- **Inflation Risk**
This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

15. Other Considerations

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.

Capital Scheme and Major Projects Process

Overview

Projects will be worked up through a number of controlled stages. On completion of a stage, the enabling body will approve the project to continue to the next stage or may prematurely close the project.

The process aims that all projects should:

- Maximise our resource
- Work collaboratively
- Not be afraid to fail

The council's project delivery process is made up of six stages:

1. Ideas and proposals – identifying a concept, providing more information and identifying resources needed
2. Feasibility and options appraisal – developing an idea/proposal and identifying any issues that need to be overcome or may prevent your project progressing
3. Design and Specification – develop the business case and establish the requirements and full costs to enable successful delivery of the project
4. Pipeline – approved projects that are waiting for confirmation of funding
5. Delivery – implementing the approved project in line with the business case
6. Closure – reviewing the delivered project to see what went well and what lessons can be learned

Ideas and proposals

Ideas can come from different places – team plans, members, strategies, service/action plans, people in the community, reviews and audits

The purpose of this stage is to:

- set out clearly what the idea is
- provide supporting information on why it should be prioritised
- identify the resources needed to take it forward

Submitting a project proposal

Ideas and proposals need to be:

- supported and approved by the relevant Head of Service
- put forward using the Proposal template to the Project Management Office (PMO) by email

A proposal will outline the scheme in enough detail to enable the Review Panel to make a recommendation to either Development Board or Operational Delivery Group (ODG). They, in turn, will make a recommendation to the Corporate Management Team (CMT) to make the decision to proceed.

Possible outcomes

There are a number of outcomes to a project proposal:

- it may be rejected by the Review Panel
- It may be approved by the Review Panel but rejected by Development Board or ODG
- It may be approved in initial stages but be rejected by CMT
- it may be added to the pipeline of future project

Feasibility funding

A proposal scheme may need feasibility funding to help it progress. An R&D feasibility fund is available to support the development of projects at their early, discovery stages.

- **Proposal** – to help develop the project proposal
- **Feasibility** – to help develop of the outline business case
- **Design & Technical Specification** – to help develop the full business case

It is important to be aware that if the project doesn't progress to the construction of an asset, the sum advanced will become a revenue cost for the service

Use of the feasibility fund

The fund can be used:

- to procure goods, services and resources as required
- to secure project resources (if this is for an individual project)

It **cannot** be used:

- to recruit general resources that will be used across more than one project
- if the project it is for cannot be 'capitalised' (i.e. is a revenue project not creating an asset)

Making a request for feasibility funding

Project managers must develop and submit proposals and outline business cases to the Review Panel. This can include requests for feasibility funding. These documents are assessed and recommendations on next steps are then made for Development Board consideration.

Should Development Board accept the recommendations of Review Panel, the R&D Feasibility Fund sum will be allocated.

Accounting for feasibility funding

A full business case will need to:

- ensure the project budget requirement includes any previously used R&D Feasibility Fund allocations
- include any revenue funds used in the recruitment of a project resource

Transferring revenue to capital funding

It may be possible to move legitimate costs initially coded to revenue to a newly approved capital budget once approved by Council **unless**:

- the revenue cost was in a previous financial year
- the request was made too close to the budget approval process

Officer decisions and the allocation of feasibility funding

The value of the R&D Feasibility Fund is set as part of the annual capital budget process with ongoing oversight by the Development Board's Review Panel. It should be noted that, where requested sums are £10,000 or more, the Council is legally required to publish the decision to spend the money.

The Project Management Office (PMO) will assist with the completion of the 'delegated decisions to officers' form and seek signatures of the decision taker and confirming officers who include the Head of Financial Services (Section 151 Officer) and the Monitoring Officer.

Recording feasibility funding allocations

The PMO and Financial Services maintain a register of projects, and this will include any feasibility sums allocated. Financial Services will vire any agreed sum from the R&D Feasibility Fund to the appropriate project budget code.

The Head of Financial Services will remain the 'Approver' of expenditure, as set out in the scheme of delegation, within the Agresso financial system. This ensures there is no unauthorized expenditure from the overall budget code.

Writing a good proposal

A good proposal would ideally meet one or more of these criteria:

- it meets one or more of our corporate priorities
- it is essential work
- it generates income or lead to service improvements
- it saves the council money
- it makes a difference to local communities
- has a positive impact on the environment

Feasibility and options appraisal

This stage is primarily for large capital projects. Smaller scale and ICT projects will move directly to the design and specification stage.

The feasibility and options appraisal stage is about developing the idea/proposal and identifying any issues that need to be overcome or may prevent the project progressing. Feasibility work undertaken will enable the Development Board to understand if a project is feasible and viable and whether the project should progress into detailed design. This stage may take many weeks or months and may require assistance from 'Oxford Direct

Services' or externally procured professional services. External funding sources may be identified at this stage.

There are a number of things to consider when entering into the feasibility stage. What to consider:

1. What options have been considered
2. What consents and from which agencies are these required?
 - What is the timescale for delivery of these?
 - Are they showstoppers?
3. What will it cost and how will it be funded
4. What is the return on investment? How long will it take to deliver? What other benefits are anticipated?
5. What other benefits will there be – financial or non-financial
6. What risks have you identified and how have they been managed or plans to mitigate?
7. Are there Corporate Impact Assessments needed e.g. Equalities Impact Assessment, Privacy Impact Assessment
8. CDM pre-construction checklist
9. Corporate Health & Safety
10. What resources will you need for the next stage (either implementation or detailed design)
11. Who will be on the team?
 - Oxford Direct Services?
 - Other internal?
 - External support?
12. Direct Services to express interest in project and demonstrate competency/value for money
13. External influences
 - Procurement
 - Funding/Grants
 - Members
 - Planning – both our the Council's own Planning Service and outside
14. Soft market testing
15. Roadmap for implementation – including proposed start date
16. Lessons learned

Site surveys

This stage may require you to consider site surveys and Construction Design and Management (CDM) will need to be considered.

Writing an Outline Business Case

Two business case templates are available:

- Business Case for Physical Assets
- Business Case for Efficiency Projects

The appropriate template should be selected. Supporting feasibility reports and documentation should also be submitted along with the Business Case. An outline Business Case that is supported and approved by the relevant Head of Service is to be produced at the end of this stage.

Smartsheet 'Project Updates' will be issued during this stage.

Feasibility funding

Feasibility funding may be needed to support the development of the project.

Outline business case

A good Outline Business Case would ideally meet one or more of these criteria:

- the proposed project is feasible, viable and deliverable
- it will continue to meet corporate priorities
- it is essential work
- it will still generate income or lead to service improvement
- it still looks like it will make a difference to local communities

Design and Specification

Large capital projects will need to have been through the feasibility and options stage before this stage. This stage will develop the business case and establish the requirements and full costs to enable successful delivery of the project.

Full Business Case

Two business case templates are available:

- Business Case for Physical Assets
- Business Case for Efficiency Projects

The appropriate template for the scheme should be selected. Supporting feasibility reports and documentation should also be submitted along with the Business Case. A full Business Case needs to be supported and approved by the relevant Head of Service.

Review and recommendations

The PMO will review any submitted Business Case through a Review Panel.

There are four recommendations the Review Panel may make:

- The Business Case needs further information/revision. The Business Case form will be returned to the author describing what additional information is required
- The Business Case will not be progressed
- The Business Case will be progressed but to be added to a pipeline of projects for future delivery
- The Business Case will be submitted to
 - the Development Board for capital programme evaluation (for large capital projects)
 - Operational Delivery Group (for smaller scale and ICT projects)

For large capital projects

The full business case will enable the Development Board to determine whether funding commitment should be recommended and contracts awarded or whether the project should be held back in favour of another project that better achieves the organisation's key priorities. Development Board will make recommendations to the Corporate Management Team (CMT) regarding the projects to be included in the Capital Programme.

For smaller scale and ICT projects

The full business case will enable the Operational Delivery Group to determine whether funding commitment should be recommended and contracts awarded or whether the project should be held back in favour of another project that better achieves the organisation's key priorities.

Funding

The Council has a defined process for agreeing the budget for the next financial year.

Projects pipeline

This stage is a holding position and relates to projects whose full business case has been approved but is awaiting confirmation of the funding being included in the Council's capital budget. A number of business cases may be received, and approved for progression, throughout the year. These business cases will form a pipeline of potential projects. These approved business cases will be evaluated against a set of criteria which will prioritise them and enable Development Board and CMT to indicate which business cases to take forward, and therefore, what budget to request from Council.

Project delivery and progress monitoring

Once approved, projects are delivered against their full business case. Periodic update reports enable the Development Board, Operational Delivery Group and Corporate Management Team to monitor costs, current status, risks, and issues relating to delivery.

How projects are monitored

Project updates

The Council uses Smartsheet to:

- request project updates from project managers
- update project spend against projects

Update requests are issued by email on 6th of each month with the update provided within 5 working days. The information is then reviewed as follows:

- Directors and Heads of Service review progress for all schemes to enable the effective management of the capital programme;

- Directors view confirmed values regarding forecast outturn and variation (including slippage) against latest budgets including reasons for variations
- Head of Finance uses progress information and commentary to present internal monthly monitoring reports and feed into quarterly monitoring reports to Cabinet;
- Climate Change is high on the Council's priorities and so relevant information needs to be captured on this
- Directors review, on a monthly basis, a list of schemes where an update has not been provided.

Project reporting

The Council uses PowerBI to compile reports on progress.

Monitoring individual projects

There are supporting tools which are not mandatory within the Project Management methodology, however project managers may find them useful to support delivery of their project:

- Project workbook
- Client projects checklist
- Pre-construction checklist

Viewing project financial information

Project managers are able to view current Financial information regarding their projects using the Agresso reporting tool.

Project closure and lessons learned

On completion, the project will be reviewed to assess what went well, what could have been done differently, what were the challenges and to capture key learning. All projects will need to consider

- communication,
- stakeholders,
- planning,
- risk,
- issue management,
- governance

Each project is unique but individual aspects will be common across them all, and the success or failure of a project may be assisted by learning from the good practices or issues faced by previous or similar projects.

Project closure report

A Closure report template, supported and approved by the relevant Head of Service needs to be produced when a project ends. This needs to be sent to the PMO along with supporting reports and documentation.

Lessons learned

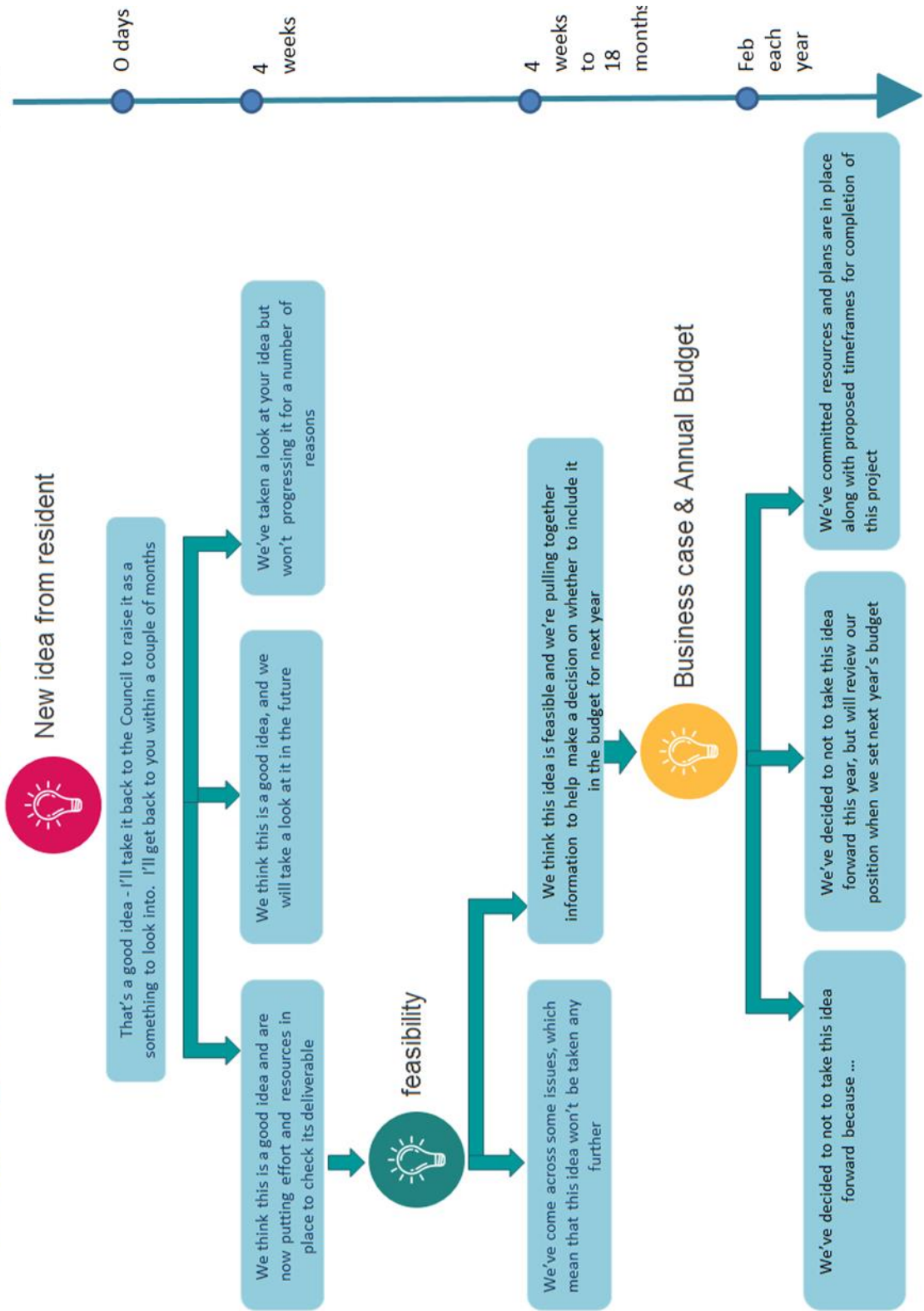
The Council maintains a lessons learned report which is the accumulation of lessons learned from projects across the Council. This is fully searchable by project, by category and by lesson content. Project managers should review the log to identify lessons that may assist in the planning and preparation of their own project.

The importance of reviewing the lessons learned log is to help to:

- Avoid mistakes and issues that occurred in previous, similar projects
- Repeat the actions, processes and practices that worked well in other previous, similar projects

A Lessons learned checklist is available to assist in collecting lessons learned. It offers a variety of questions that may be asked to determine which elements of the project should be avoided in the future, and which aspects should be repeated in future projects.

Keeping residents in the loop



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