

Guidance Note B

Guidance Note B

CAPITAL EXPENDITURE APPROVAL PROTOCOL

The Council's Corporate Capital Strategy and Asset Management Plan (which dictates how significant elements of the Council's capital resources must be spent) will set the framework for developing and evaluation capital projects over a **three year period** (reviewed and agreed on an annual basis) – through the preparation of bids (CP1's) and the Working Group/Management Team/Cabinet process. This is summarised as follows:-

1. PREPARATION OF CAPITAL PROGRAMMES

- 1.1 From July/August onwards, Working Groups will begin preparation of initial Capital Programmes for the following three years. Account will be taken of corporate and portfolio priorities, schemes already underway and others previously agreed by reviewing progress / outcomes of existing programmes;
- 1.2 All potential capital projects will be detailed in CP1 forms and considered by the Working Groups using the agreed corporate assessment methodology and guidance in order to prepare a scored/prioritised list of potential schemes. Potential schemes will be considered in light of spend to date information and all bids must be accompanied by a detailed justification statement - identifying contributions to Aims, Community Outcomes and Corporate Values;
- 1.3 The completed and scored CP1 forms, together with the prioritised list of potential schemes (as agreed by the Working Group) will be submitted to the Accountancy Services Section, Resources Department by the end of October – in accordance with the Annual Revenue and Capital budget timetable.
- 1.4 The Accountancy Services Manager and Head of Service Improvement will undertake a quality review / assessment of all completed returns. The prioritised list, including the scored self-assessment and outcome of the independent review to be reported to Management Team with the draft budgets in November;
- 1.5 In November/December, Management Team will, having regard to the likely availability of finance, consider these bids and in light of the recommendations made, agree an overall limit for the Capital Programme (both HRA and General Fund) and set specific targets for each service area over the three year period;

NB: In determining the service capital programme targets, Management Team considers the initial bids, independent assessment by the Accountancy Services Manager and Head of Service Improvement and the prioritised lists agreed by each Working Group – this emphasises the need for individual schemes to have a detailed justification statement and fully completed scored evaluation sheet.

- 1.6 In determining the recommended allocation of resources, Management Team will adhere to the following key principles:
 - Resources will be directed towards achieving the Council's vision and priorities and asset management plan requirements.

- All potential sources of external grant funding will be explored in resourcing priorities.
 - Impact on revenue budgets.
 - Alternative approaches to procurement such as partnering will be considered.
- 1.7 Once these targets are determined, they will be referred back to the appropriate Working Group for consideration of delivery plans over the three-year period. This will involve the Working Group re-examining the bids and determining the itemised programme in light of priorities within the resources allocated.
- 1.8 The target figures will continue to be submitted to Cabinet in January, together with a report from the Director of Resources detailing the overall level of expenditure for the coming financial year and estimated resources/target programmes for the following two years. This report will separately identify capital expenditure required for asset management purposes on a portfolio-by-portfolio basis.
- 1.9 Cabinet will then consider this and make recommendations to Council in February to establish control totals for General Fund capital expenditure and a specified capital programme for HRA for the following financial year, with indicative programmes for the two years after this.

2. PROCEDURE RULES AND FINANCIAL REGULATIONS

- 2.1 Procedure Rules relating to Contracts (15 and 25) and Financial Regulations (paragraphs 3.3.5) make specific reference to Capital Programme expenditure.

Capital Programme expenditure, like other expenditure, must comply with Procedure Rules as far as the process of obtaining prices for work, etc., is concerned – this relates to tenders/quotations/negotiations, etc.

In addition Contract **Regulations** and Financial Procedure Rules impose additional controls in the way Capital Programme expenditure is reported to the Cabinet.

Procedure Rule 15 states:-

“Before tenders or quotations for the execution of any works included in the Capital Programme are invited, the Cabinet shall obtain from the appropriate Chief Officer a report on the proposals including the relevant financial information.”

- 2.2 Following the allocation of capital resources by Council and **no later than 30 April each year**, detailed programmes for each portfolio area (excluding HRA) will be prepared by the relevant Chief Officer and reported to Cabinet for approval, as follows: -

- Resource Management / Welfare and Communications / Performance Management – Director of Resources;

- Environment / Supporting People / Community Safety / Housing General Fund – Director of Neighbourhood Services;
- Culture and Recreation – Director of Leisure Services;
- Regeneration – Chief Executive Officer

NB: These reports will be based on the prioritised schedule of schemes agreed by the Working Group and include estimated costs for each scheme in an itemised programme. The report will clearly identify those schemes required for asset management purposes. The report will also contain the recommendation for Cabinet to approve the programme and that, subject to the necessary arithmetic checks, the appropriate Chief Officer is authorised, in consultation with the appropriate Lead Member, to accept the lowest tender provided that the figure is within approved budgets/estimates.

2.3 No further reports will be submitted to Cabinet in relation to the individual schemes, unless:

- The gross value of the project is in excess of £50,000 **and** is in relation to an outward facing service area.
- NB: The £50,000 trigger will not apply to schemes included in the Asset Management Plan. In other cases, the itemised capital programme report will note that further reports will be submitted as the year progresses in relation to these schemes to ensure sufficient engagement of members in these proposals.
- There is a change in the year due to resource availability (grant related issues) or a change in priorities that impacts on the programmed use of capital resources for the portfolio;
- NB: In such cases the itemised capital programme will be redrawn and re-submitted for approval, with a clear rationale given for the required change and impact on the existing three year programme.
- Once tenders/quotations, etc. have been sought and received in accordance with the Procedure Rules, it is necessary to report details to Cabinet in accordance with Contract Procedure Rules 15, 16 and 17.

2.4 Cabinet will receive monitoring reports on the progress of Capital Schemes at least three times per annum, together with details of resources available to the Council to finance the programme.

Actual Outturn against the approved capital programmes for each portfolio will be reported in the Annual Statement of Accounts, however, should the outturn cost for any specific service area exceed the approved budget by **more than 5%**, then this must be reported to Cabinet **no later than 30 June each year**, together with reasons for the difference and any learning issues etc.

- NB: All overspends will be automatically deducted from the resources available in the following financial year and appropriate adjustments made against the programmes reported to Council by 30 June (see 2.2 above)

3. CONTRACTS - GENERAL

- 3.1 It is essential to ensure that Contract **Regulations** and Financial **Regulations** are adhered to in respect of all schemes, whether or not they are included in Capital Programmes.
- 3.2 Particular attention is drawn to the need for **expenditure in excess of approved tender sums** to be reported to the Cabinet **in accordance with Contract Procedure Rule 24.**

This page is intentionally left blank