

REPORT TO:	FINANCE and MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	19th MARCH 2020	CATEGORY:
		DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@southderbyshire.gov.uk	DOC: u/ks/capital/evaluation 2020/evaluation proposals
SUBJECT:	EVALUATION OF CAPITAL PROJECTS	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the prioritisation of new capital expenditure is subject to the Evaluation system as detailed in the report.
- 1.2 That the Service and Financial Planning Working Group (SFPWG) is convened to consider bids for capital investment in accordance with the Evaluation system.
- 1.3 That the SFPWG submits investment proposals back to the Committee in June 2020 for consideration following the evaluation process

2.0 Purpose of the Report

- 2.1 To review and update the Evaluation system which is used to prioritise bids for new capital investment. The system was last used some years ago, but with a new Corporate Plan, together with the generation of significant capital receipts, it is timely that the system is updated.
- 2.2 The proper evaluation of capital resources is in accordance with the Council's Capital Strategy which was approved in January 2019.

3.0 Detail

- 3.1 Unlike the Housing Revenue Account where there is a regular capital programme, General Fund schemes tend to be more ad-hoc. This is due to a capital programme being reliant on external funding and the generation of capital receipts.
- 3.2 The current General Fund programme is small apart from the annual planned maintenance of public buildings, together with the replacement of vehicles, plant and IT infrastructure.

- 3.3 With the recent generation of capital receipts from land sales a more significant sum of capital receipts has been and will continue to be accumulated over the next 12 to 18 months.

Potential Resources

- 3.4 As reported in the quarterly capital monitoring report (a separate item on this Agenda) the Council currently has capital receipts of approximately £850,000 in hand, after allowing for commitments. Further receipts of £800,000 and £700,000 are guaranteed in 2020/21 and 2021/22 respectively, with an additional sum from the sale of the former depot site due in April 2020.
- 3.5 After allowing for agent and developer fees, a net receipt of approximately £700k is expected from the sale of the former depot site.
- 3.6 Included within the £850k above, is a sum of £739k relating to receipts from the development associated with Midway Community Centre. The Committee has previously approved a proportion of this sum being reinvested directly back into the site to improve the Centre and adjacent football pitches, subject to detail costs being approved by the Committee; these are estimated at approximately £ 1/4 million.
- 3.7 In total, based on known receipts, it is currently estimated that a sum of approximately £2.8 million will become available for a new General Fund capital investment programme.

Potential Schemes and Evaluation

- 3.8 Therefore, this provides potential for new capital investment. There are likely to be competing schemes and even a sum of £2.8 million may not meet the cost of all potential projects.
- 3.9 The Council uses an Evaluation scheme to prioritise investment to ensure resources are directed to Corporate Plan priorities and provide Value for Money. The updated Evaluation system is detailed in **Appendix 1**. Effectively, the Evaluation system requires that bids are subject to the assessment of a business case.
- 3.10 The scoring system and guidance notes for the completion of bids are also detailed in Appendix 1.

Service and Financial Planning Working Group (SFPWG)

- 3.11 All bids would be considered by the SFPWG, which is a working group of the Committee. It comprises five Members who evaluate bids and make recommendations back to the Committee. The following timetable is proposed.

Evaluation System considered by the Committee	19 March 2020
Deadline for Submitting Bids	24 April 2020
SFPWG consider and score bids	w/c 11 May 2020 w/c 18 May 2020 (if required)
Proposals from SFPWG considered by the Committee	June 2020

4.0 Financial Implications

4.1 As detailed in Section 3.

5.0 Corporate Implications

Employment Implications

5.1 None associated with the Evaluation system itself.

Legal Implications

5.2 As above.

Corporate Plan Implications

5.3 As detailed in the report, the Evaluation system ensures that finite capital resources are targeted towards the Council's approved priorities.

Risk Impact

5.4 None associated with the Evaluation system itself.

6.0 Community Impact

Consultation

6.1 None required.

Equality and Diversity Impact

6.2 None associated with the Evaluation system itself.

Social Value Impact

6.3 As above.

Environmental Sustainability

6.4 As above.

7.0 Background Papers

7.1 None.

APPENDIX 1

CAPITAL INVESTMENT: BUSINESS CASE APPRAISAL

Title of Proposed Project:

Head of Service Responsible:

Project Lead:

Brief Outline of the Project:

Of the three themes contained in the Corporate Plan (*Our Environment, Our People, Our Future*) specify which one the project is mostly aligned to?

FINANCIAL IMPLICATIONS (*Please liaise with Financial Services regarding this Section*)

Summary of the Estimated Capital Cost of the Project over the Project's Life-Cycle.

	Year 1 £	Year 2 £	Year 3 £	Year 4 £	Year 5 £
Direct Costs					
Additional Staffing/Support to deliver the project					
Total Cost					
Less External Funding					
Net Cost					

On what basis have the costs been estimated

Source of the external funding and how secure/certain it is

Existing budget or capital allocation being used and/or what additional finance is required

On-going effect for the General Fund Revenue or Housing Revenue Account Budget

Potential implications for the Council's VAT position

CONTRIBUTION TO THE CORPORATE PLAN

How the project will contribute to the Plan and in particular how it relates to specific priorities.

What are the expected Outputs, Outcomes and Measures of Success and how will it help to deliver performance measures agreed in the Corporate Plan?

VALUE FOR MONEY TEST (See Appendix for Guidance)

How will the Project be Economical?

How will the Project deliver Efficiencies?

How will the Project be Effective?

How will the Project be Equitable?

COMMUNITY INVOLVEMENT & CONSULTATION

Provide details of any consultation, feasibility study, surveys and/or any other evidence to support the Project.

PARTNERSHIPS

What is the extent of working with partners and third parties, including their input and requirements to/from the Project?

RISKS and OPPORTUNITIES

What are the potential risks or missed opportunities of the Project not progressing, including any effects on the Council's reputation?

So what is Plan B or are there any other options.

1. Being Economic – Spending Less

- Providing improvements in a service within existing resources.
- Providing the same level of service at a lower cost.
- Getting the best price for a service or supply.
- The generation of additional income.

2. Being Efficient – Spending Well

- Developing services which have a minimal impact on current resources.
- Changing services to improve capacity and resilience.
- One-off capital investment which reduces long-term revenue costs.
- Transferring potential liabilities.
- Securing external funding to finance investment.

3. Being Effective – Spending Wisely

- Developing services that meet the needs of service users.
- Providing services that are aligned to Corporate Plan priorities and improve key performance indicators.
- Changing services in order to mitigate risk for the Council.

4. Being Equitable – Spending Fairly

- Providing services which are accessible to all potential users.
- Improving services which have a beneficial impact on vulnerable groups.

Alignment to the Corporate Plan	50%
Value for Money Test	20%
Community Involvement and Consultation	10%
Partnership Working	10%
Risk Mitigation and Other Options	10%

Alignment to the Corporate Plan

Significantly meets Corporate Plan priorities	50
A Medium/Moderate Impact	30
Minimal Impact	10

Value for Money Test

Meets all 4 Criteria	20
Meets 3 of the Criteria	15
Meets 2 of the Criteria	10
Meets 1 of the Criteria	5

Community Involvement and Consultation

Substantial Evidence of involvement or an evidence base	10
Some evidence	6
Minimal evidence	2

Partnerships

Partnership working is integral to the Project	10
Some partnership or third party involvement	6
Minimal involvement	2

Risk Mitigation and other Options

There is a Plan B	10
Some scope to amend the project to overcome risk or reputational damage	6
Minimal scope	2