
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 15.
DATE OF MEETING:	8th SEPTEMBER 2011	CATEGORY: DELEGATED
REPORT FROM:	CHIEF EXECUTIVE OFFICER	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) CHIEF FINANCE OFFICER Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/business case framework/evaluation paper Sept 11
SUBJECT:	A REVIEW OF THE COUNCIL'S CAPITAL INVESTMENT EVALUATION FRAMEWORK	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the Council's updated Capital Investment Evaluation Framework is considered and approved.
- 1.2 That the Committee appoint a working group to assess bids for new capital investment and report back to the Committee at its meeting on 1st December 2011.

2.0 Purpose of Report

- 2.1 To demonstrate good use of its resources and to achieve value for money, it is considered best practice that the Council sets out a framework to evaluate new capital investment proposals.

3.0 Detail

- 3.1 The Council's existing framework was last used during the 2007/08 budget-round. Since that time, the Council has had no significant capital resources itself for investment.

The Current Investment Position

- 3.2 The Council's current medium term financial plan (MTFP) identifies a shortfall in resources against future capital commitments, in the form of vehicle and equipment replacements, of £1.51m.
- 3.3 During 2010/11, receipts received, which were set-aside towards this deficit, amounted to £175,181. This leaves £1,334,819 to be generated.
- 3.4 The sale of the Bretby Crematorium netted the Council £3,074, 276. If the remaining capital shortfall is set against this receipt, this then potentially leaves up to £1,739,457 available for new capital investment.

- 3.5 As reported to the Committee on 29th June, a further sum for Bretby Crematorium is due to the Council in the form of the remaining reserve balance when the final accounts are signed off. It is estimated that this is likely to be around £100,000.
- 3.6 It is recommended that this is initially set-aside as a contingency to protect the cap on future price increases agreed as part of the sale of the Crematorium. Within the sale price, the Council paid a subsidy in order to cap price increases.
- 3.7 However, this may be insufficient (this will depend on the rate of inflation and average price increases in the region each year) and the Council may have to contribute a further amount to limit price increases over the next 4 years. This is a contractual commitment.

Evaluation Framework

- 3.8 With an opportunity now to deliver some new capital investment, the exiting evaluation framework has been reviewed. Some changes are proposed and a summary of the scoring mechanism is provided in the following table.

Evaluation Criteria	Existing Score	Proposed Score
Contribution to Council Themes	48%	48%
Contribution to National Targets	12%	0%
Community Involvement	0%	12%
Partnership Working	4%	4%
Project Risk Analysis	18%	18%
Financial Analysis	18%	18%

- 3.9 The evaluation framework is designed to appraise a business case for each proposal. The principle of the evaluation is to compare different bids for competing resources to ensure that the Council directs its investment in accordance with its priorities taking into account other issues, such as risk.
- 3.10 The detailed business case model is shown in **Appendix 1**. The full scoring system is detailed in **Appendix 2**. It is proposed to retain much of the overall weightings with the main score reflecting the degree of contribution to “Council Themes” which contain the priorities approved in the Corporate Plan.
- 3.11 In addition, it is proposed (on face value) to replace the contribution to national targets with a category which measures the degree of community involvement. This is to capture community needs around investment, including any potential effects on particular sections of the community, together with reference to the Council’s consultation and evidence base.
- 3.12 However, it could be said that this is in accordance with a “national target” which places greater emphasis on community involvement as part of the Localism Bill.

- 3.13 Within the detailed assessment, some factors have been amended to reflect the Council's Equality and Fairness Policy, project planning (Risk Analysis) and the need to make on-going efficiency savings (Financial Analysis).
- 3.14 Overall, the scoring system is designed to place greater emphasis on the potential outcomes and quality of a project in order to divide up a finite pot of money.

4.0 Financial Implications

- 4.1 None directly.

5.0 Corporate Implications

- 5.1 None directly.

6.0 Community Implications

- 6.1 As detailed in the report.

**APPENDIX 1 CAPITAL INVESTMENT
BUSINESS CASE APPRAISAL (August 2011)**

Title of Bid:

Head of Service Responsible:

Project Lead:

Brief Outline of Bid:

Out of the 4 themes contained in the Corporate Plan which ONE is the bid mostly aligned to?

Please state the gross capital cost estimate of the project for each year of the project's life. (

Try and be realistic when profiling costs, e.g. will the project start on 1st April and be completed within the financial year? Allow time for tendering and obtaining external funding)

The Total Cost of the Project must include all related staffing costs including any external support required. Staffing Costs solely relate to the enhancement of the development of the project and not the administration support to the scheme. State how you propose to source the funding? Is there evidence of financial support? Is the project a partnership with other agencies?

	2011/12 £	2012/13 £	2013/14 £	2014/15 £	2015/16 £
Direct Cost					
Staffing					
Total Cost					
Less grants etc					
Net Cost					

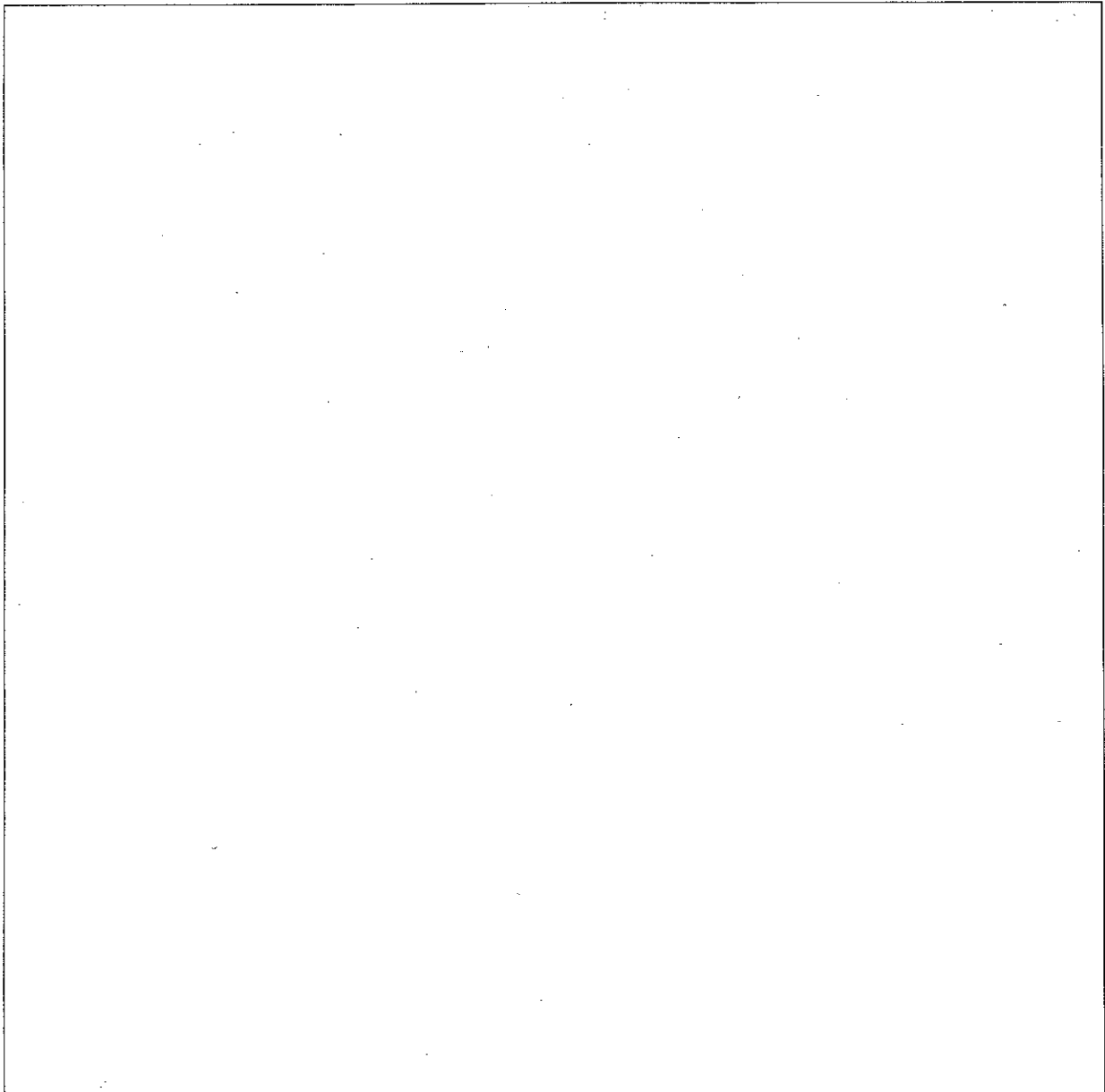
Have the VAT implications being checked with Finance regarding the Partial Exemption Limit?

APPENDIX 1 CAPITAL INVESTMENT BUSINESS CASE APPRAISAL (August 2011)

1. CONTRIBUTION TO COUNCIL THEMES

Please explain how the bid contributes to the particular Theme identified above and how it will help to deliver the Council's priorities as set out in the Corporate Plan and why it is needed now.

In doing so, indicate how this relates to your service plan and what the main benefits will be together with the critical success factors. This is to include how both the outcome and outputs will be measured.

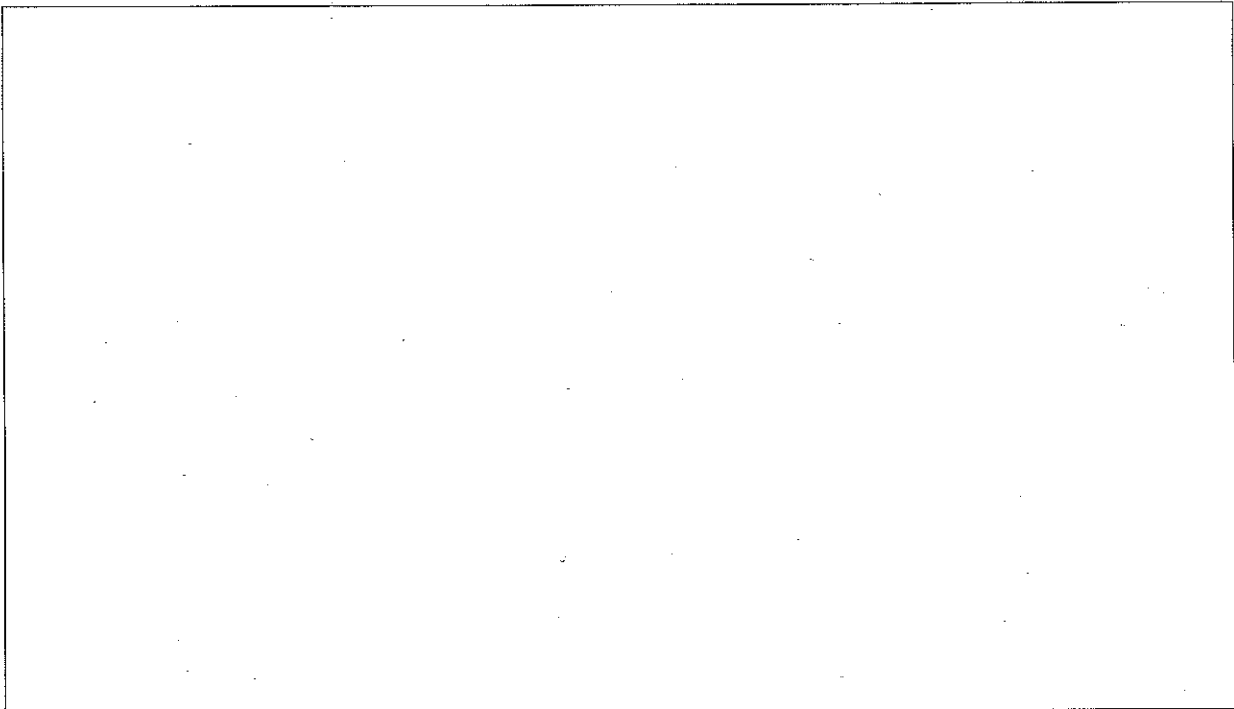


**APPENDIX 1 CAPITAL INVESTMENT
BUSINESS CASE APPRAISAL (August 2011)**

2. COMMUNITY INVOLVEMENT

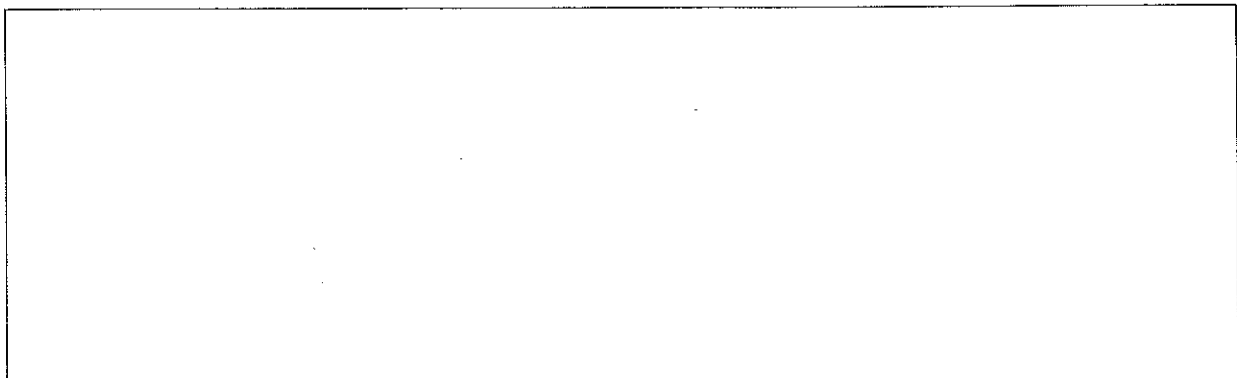
Please provide details of recent relevant consultation with the local community and identify any community needs for the project from the Council's corporate planning evidence base.

Is there any evidence to suggest that the proposed project could discriminate against any members or sections of the community? An EIRA is required



3. PARTNERSHIPS

Please identify all partners in the bid together with their contributions, during and after completion of the project and their required outcomes (Financial & other). Is this in accordance with the Council's Corporate Partnership Policy



**APPENDIX 1 CAPITAL INVESTMENT
BUSINESS CASE APPRAISAL (August 2011)**

4. PROJECT RISK ANALYSIS

- a) Please provide an options appraisal or some other form of feasibility study to determine the viability of the project. If not undertaken, please explain.

- b) Please describe or attach your outline project management timetable including design, contract preparation, tendering, funding applications, land acquisition, planning permission, start and completion dates, etc. Identify and confirm the commitment of all key players to be involved in the project.

- c) Is there an Exit Strategy or could the Project be scaled down to fit a reduced budget or resource base?

**APPENDIX 1 CAPITAL INVESTMENT
BUSINESS CASE APPRAISAL (August 2011)**

5. FINANCIAL ANALYSIS

- a) Please detail any on-going revenue costs (staffing, maintenance, utility, etc.) with the project. Can they be funded or will a separate budget provision be required?

- b) Will any additional service income or budget savings be generated? (please provide an estimate for the first full year of operation and how this has been assessed)

- c) How much external funding is being levered in (include this as a percentage of the Total cost)

**APPENDIX 1 CAPITAL INVESTMENT
BUSINESS CASE APPRAISAL (August 2011)**

d) How certain is the external funding? Give dates when approval is due and who bears the risk if payments are not received or late?

To be signed
By Head of Service

Date

**APPENDIX 2 EVALUATION OF NEW CAPITAL INVESTMENT
APPROVED SCORING SYSTEM**

Contribution to Council Themes	48%
Community Involvement	12%
Partnerships	4%
Project Risk Analysis	18%
Financial Analysis	18%

1. COUNCIL THEMES

How much does the bid contribute to ONE of the Themes contained in the Corporate Plan? How far have the benefits (in the terms of outputs and outcomes) and critical success factors been quantified? (48%)

A major contribution	3
A moderate contribution	2
A minor contribution	1
No contribution	0

2. COMMUNITY INVOLVEMENT

a) How much does the bid contribute to Community Needs as evidenced by recent consultation and the Council's comprehensive evidence base? (9%)

A major contribution	3
A moderate contribution	2
A minor contribution	1
No contribution	0

b) Are there any Equality and Fairness implications and have they been assessed? (3%)

No implications	3
Implications but have been assessed / EIRA undertaken	2
Not known	0

3. PARTNERSHIP WORKING

a) To what extent does the bid involve Partnership working, both financial and other and as it been assessed in accordance with the Corporate Partnership Policy? (4%)

Substantial	2
Some	1
None	0

**APPENDIX 2 EVALUATION OF NEW CAPITAL INVESTMENT
APPROVED SCORING SYSTEM**

4. PROJECT RISK ANALYSIS

a) Has an options appraisal been undertaken or some other form of assessment to determine the viability of the project? (8%)

Full Options Appraisal Done	2
Other Assessment Completed	1
No Formal Assessment	0

b) Has a project plan been prepared? (4%)

Full project brief	2
Outline brief	1
No brief	0

c) Is there an Exit Strategy or could the Project be scaled back? (6%)

Yes	1
No	0

**APPENDIX 2 EVALUATION OF NEW CAPITAL INVESTMENT
APPROVED SCORING SYSTEM**

5. FINANCIAL ANALYSIS

a) Are there any on-going Revenue Costs which cannot be absorbed within current budgets? (6%)

Yes	0
No	1

b) Will any additional service income or budget savings be generated? (6%)

Yes – and has been reasonably estimated	3
Yes – but only general assumptions have been made	1
None	0

c) How much external funding is being levered in as a percentage of the GROSS cost? (4%)

75% +	4
50% to 74%	3
25% to 49%	2
1% to 24%	1
Nil	0

d) How certain is the external funding? (2%)

It is definite/reasonably secure	2
There is potential/being investigated	1
There is no external funding	0