

# Regulatory and Audit Committee

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<b>Title:</b>	<b>Capital Gateway Process</b>
<b>Date:</b>	16 April 2014
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## Summary

The report sets out the revised process to be used in managing the Capital Programme in response to the recent Audit report.

## Recommendation

**The Committee are asked to note the new process and provide and comments and advice to the Business Investment Group.**

1. Introduction
  - 1.1 Following the end of year report on the Capital Programme for 2012/13 and the significant level of slippage reported a special audit investigation was commissioned to review the underlying issues in managing the capital programme and the individual projects which make it up. The recommendations from the audit report are set out in Appendix 1.
  - 1.2 In parallel with concerns over the level of slippage on the Capital Programme consideration has been given to the governance of projects more broadly. This work is still in development as part of the Future Shape Programme, but the draft overall process is set out in Appendix 2.



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## 2. The Issues

- 2.1 The Council has been concerned for some time about the level of slippage in delivery of the capital programme and following a particularly poor performance at the end of 2012/13 the Chairman of the Business Investment Group commissioned an audit investigation. The audit report has been presented to the Regulatory and Audit Committee at a previous meeting and the recommendations are set out at Appendix 1. Most significantly the audit report identified that much of the cause of slippage was due to poor planning in the first place. Many schemes are accepted into the Capital Programme when only at concept stage and therefore the delivery timelines and cashflows are not well understood. It has therefore been recommended that a gateway process be introduced which recognises the various stages of development of the project plans and implementation.
- 2.2 For some officers it appears that there is a lack of clarity over where individual projects need to go to gain approval. The large number of boards, most of which don't actually have formal decision making powers is in part responsible for this. The Future Shape Programme is considering how the governance structures and the boards that support this can be streamlined. To assist project managers to navigate the system it is suggested that there ought to be an overarching framework and a single entry point to the system which then assists in providing support and direction for the rest of the journey. It is to this end that the work reflected in Appendix 2 is being developed. From this it is logical that any capital gateway process needs to fit within this framework.

## 3. The Gateway Process

- 3.1 The table below sets out the gateway process that was presented to the Business Investment Group (BIG) on 20<sup>th</sup> March 2014. The BIG agreed to adopt this process on a trial basis and subject to consideration of the development of governance arrangements under the Future Shape Programme. However, the BIG was very clear that it sees the management of the Capital Programme as a whole and the allocation of capital resources remaining a corporate process, albeit individual projects once approved will be managed within Business Units.
- 3.2 The BIG felt that for building projects it would be helpful for project managers to understand how the Royal Institute of British Architects (RIBA) Plan of Work stages mapped onto the Gateway process. The gateway process is more generic as it is concerned with managing a programme which covers more than just building projects. There is therefore not a perfect fit between the RIBA Plan of Work and the Gateway process, however, the table below shows how these may be mapped against each other on a best fit basis.
- 3.3 The inclusion of a feasibility stage was picked up from the audit report. However, the BIG were not wholly convinced of its need. There was a concern that it would add bureaucracy and potential delay to the project. It was felt that if it is needed that under Future Shape arrangements it would be for the individual Business Unit Boards to determine authorisation to proceed through this gate. In the interim it was agreed to keep this stage in with reporting to the BIG on a trial basis, but with a view to removing it, or adapting it in the light of Future Shape arrangements.
- 3.4 The BIG agreed to implement these arrangements on a trial basis with effect from 1 April 2014. In doing so it is recognised that a number of projects are already well underway and that there was a need to reflect this in its implementation. There is also a need to recognise that the process is not appropriate in all cases such as in block allocations, where a resource envelope is provided to a multitude of minor projects such as in structural maintenance programmes. The BIG is therefore carrying out a review of arrangements on a project by project basis to identify applicability.

## Capital Gateway Process

<b>Gate</b>	<b>Description of Requirements</b>	<b>RIBA Stage</b>
Gate 1 – Registration (officer only)	Identification of project, for corporate awareness and to allocate appropriate support/navigation advice. Key/headline information required only. This stage is common for all projects.	1 Preparation
Gate 2 – OBC (to BIG)	Sets out potential options, indicative costs and phasing, key deadlines, key risks etc, and seeks earmarking of funds for whole project and release of funds to proceed to next gateway.	2 Concept Design
Gate 2a – feasibility study (to BIG, or to BU Man Board)	Commercial Strategy Developed Rationale to support preferred option Constraints identified and where possible addressed e.g. outline planning permissions. Preferred option approved. Release of funds to proceed to FBC	2 Concept Design
Gate 3 – FBC (to BIG)	Detailed Design complete Detailed financial analysis including rate of return if appropriate. Key milestones for implementation set out Approval to move to implementation Release of remaining funds.	3 Developed Design (as a minimum) May include some elements of stages 4 Technical Design and 5 Specialist Design.
Gate 4 – Monitoring of Progress on Delivery	Report back to BIG on progress, risk management etc. at key milestone dates, if/as appropriate..	6 Construction
Gate 5 – Project Review and close	Following practical completion of the project, evaluate if outputs delivered, on time and to budget. Lessons learnt.	7 Use & Aftercare

### 4. Wider Implications

#### 4.1. Resource implications

This report is inherently about resource allocations and priorities of the Council. The consideration of this issue is prompted by concerns over sub-optimal use of resources. In order to comply with the more rigorous approach there may need to be a greater input of time on the part of project teams. However, the purpose of such a process is to improve overall programme and project management and if this is achieved it might be reasonable to expect some counter-balancing efficiencies.

#### 4.2 Legal implications

None.

#### 4.3 Property implications

There are no property implications arising directly from this report, although there may be implications arising from the individual projects covered by the Capital Programme.

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**Background Papers**

None

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***Your questions and views***

*If you have any questions about the matters contained in this paper please get in touch with the Contact Officer whose telephone number is given at the head of the paper.*

**Recommendations from Audit Review of Capital Programme Slippage:**

- a) BIG adopts a gateway monitoring process for the Capital Programme, consistent with that adopted by the Commercial Services Board.
- b) The starting point for a project entering the Capital Programme (gateway 0) is a report presented to BIG in standard format setting out:
  - Project outline;
  - strategic fit;
  - risk and dependencies that could impact delivery and countermeasures;
  - outcomes being sought not just in terms of like for like replacement but in capacity, size, savings or service improvement;
  - size of initial feasibility study and timescales for the next or each gateway.
- c) The agreement to individual projects should include an overall cash envelope in consideration of the need. Authority to spend should be restricted initially by a fixed amount for completion of the feasibility study and detailed design. Future sums within the agreed cash envelope should be released as the project progresses, controlled by the gateway process.
- d) BIG routinely receives a monitoring report showing the gateway progress for all capital schemes, with a defined escalation process to BIG where any schemes have moved outside the agreed scope, time or cost tolerance levels.
- e) Schemes entering the Capital Programme should have realistic timeframes that have been calculated in line with the risk and dependencies assessment. This includes where cash envelopes are initially agreed for strategic management purposes. BIG should receive monitoring reports for these items, ensuring that the allocation of funding once specific works have been identified follows the same gateway disciplines as defined above.

**Strategic Recommendations:**

BIG should consider the following recommendations to the Future Shapes Programme:

- f) The Commercial Services Board should be combined with BIG to provide a single governance body, overseeing and challenging capital and revenue projects.

A full time Senior Manager Role of Capital Programme Manager should be established within the Business Enterprise Unit being considered under the Future Shapes Programme, with specific responsibility for the delivery of the Capital Programme, accountable to BIG.

## Proposed Gateways

