



## **Transformation and Improvement Overview and Scrutiny Committee**

### **Report of the Capital Strategy Task and Finish Group**

4 December 2023

## **Acknowledgments**

The Capital Strategy Task and Finish group has completed its work at pace, seeking to provide their conclusions and recommendations to feed into the medium term financial strategy and budget setting timescales. They would like to thank the officers who have supported their work and worked with them to understand the processes for identifying, prioritising and delivering the capital strategy and programme and in the development of their recommendations.

## **Members of the Task and Finish Group**

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## 1. Context

2023/24 is a key year for the Council to deliver spending reductions that will help to set the financial foundations for the coming years.

The Shropshire Plan has been in place for over 12 months which the 2023/24 budget has been set to deliver, and the Capital Strategy is being reviewed against a set of principles and criteria to help to prioritise the schemes.

There is a strong relationship between the capital and revenue budgets e.g. pressures on the revenue budget can inform capital spending plans to help reduce costs and demand for services.

## 2. Objectives

- To identify the in-year budget learning from 2022/23 and 2023/24 so far, especially for the high-cost projects
- To confirm how benefit realisation (planned success/impact) is worked through the Capital Strategy development, implementation and review (including evaluation of higher cost capital projects delivery and risk identification)
- To consider how this learning has been applied to identify opportunities to inform the Capital Strategy to deliver The Shropshire Plan
- To confirm how capital plans are confirmed, the mechanisms in place including the process of identifying projects and the related governance of capital projects
- To identify what mechanisms are already in place and/or could be a focus for the Audit Committee
- To identify how the review of the Capital Strategy has applied the remaining principles/criteria to prioritise schemes. (see paragraph 8.8 of the Green Paper 12/07/23)
- To confirm how the Council ensures benefits to local businesses as part of the supply chain
- To provide evidence-based feedback and recommendations on the capital strategy

The Task and Finish group reviewed their terms of reference at their first meeting. They identified that they would be prioritising their time exploring how projects for the capital programme are identified, prioritised, and delivered, with a consistent focus on how learning from the delivery of capital projects took place and informed future work.

### **3. What has the Task and Finish group done?**

The task and finish group carried out its work at pace over two half day sessions. To complete their work, they:

Requested an all-Member briefing on the Capital Strategy to provide a common understanding before their work began.

Heard from and worked with the Strategic Finance Manager, Strategic Finance Business Partner, and the Assistant Director of Finance & ICT (deputy s151 officer).

Walked through the process to identify possible projects for capital investment, how they are prioritised, and what happens through to and following delivery.

Followed up on how the process of identifying capital projects, prioritising them and delivering them took place, learning from the People Directorate.

Sought additional information on the Highways Capital Programme and the Schools Capital Programme

Sought to understand the amount of Community Infrastructure Levy (CIL) utilised in the current capital programme.

Explored opportunities to better visualise where and what capital funding is being used to deliver projects across Shropshire.

#### **4. Key Findings and conclusions**

Following reviewing the current arrangements for the development of the capital strategy and the delivery of the related programme, Members highlighted opportunities to learn and progress.

They took particular interest in how projects were identified and prioritised, what the measures of success were for each project and how learning is systematically collected and applied.

As part of this Members explored how capital projects were identified from the development of expressions of interest to project delivery and discussed the work and role of the strategic programme officer group (SPOG). This confirmed the route for expressions of interest, project gateways and feedback processes on capital funding bids.

On learning of the different boards and decision-making structures for the capital programme development and delivery, the Members believe that a flowchart to illustrate what they focus on and where they fit into the process and timelines would be beneficial. This would be enhanced with a view of the criteria for the assessment of the proposed projects including whether any links were made to delivering locally identified priorities such as those in the Place Plans, the decisions being taken at the different project gateways and of progress and impact. Members were particularly interested in whether the projects that were supported to proceed and receive capital funding were those that delivered the most income, would realise greatest invest to save and demand management outcomes, or whether they delivered core business, and if weightings were applied, how these were given.

Discussions also worked through the degree to which capital funding was allocated to deliver projects that transformed how the council delivered outcomes and promoted independence and managed demand. It was confirmed that feedback was given on all projects that did not progress, to explain the reasons why items may be declined, and that those making applications could take this on board and resubmit them to SPOG, or look at other external grant funding opportunities.

The task and finish group expressed their support for capital projects that delivered improved outcomes for service users and communities, especially where this coincided with delivering revenue benefits to the Council. They highlighted their understanding of capital investment in Children's Services which would increase the provision of council residential homes in the county and mean that more children and young people could live closer to their families, which could also provide a revenue saving to the Council, due to high-cost care placements across the country.

Members also received confirmation that the Highways Capital Programme and the Schools Capital Programme are within the wider capital budget, but that these programmes have their own separate processes managed within the relevant service areas.

With a demand management focus and particular reference to the Highways Capital Programme, the Members enquired about the degree to which invest to save and

reducing future demand were a feature of how the contractor prioritised work. This was something that the task and finish group felt could merit further investigation by the relevant overview and scrutiny committee.

For the capital programme they learned that the identification of capital projects starts in the directorates and that the engagement of local members and partners would take place.

When considering the processes to identify and prioritise capital projects, they heard from one of the group who explained how a number of capital projects of different types in their division not been delivered as expected. This included that discussions at the earliest possible stage with the local member might have helped avoid project delays or abandonment by utilising their local knowledge.

The task and finish group members concluded that local members should be made aware of emerging projects in their areas or close to their areas that could impact on the people and communities there. This would need to be proportionate to associated scale and geographic reach of the projects. Engaging local members in this way would provide the opportunity for their local knowledge and insight to be sought at an early enough stage in programme planning that might help to avoid or reduce issues, costs or delays at a later stage in project delivery.

At this point in their work the task and finish group also made links to the Local Member Protocol and to the Shropshire Plan Healthy Organisation Strategic Objective:

*We will ensure councillors are supported to advocate for their constituents but to also be ambassadors for the council.*

Taking a different but related starting point, Members were also interested to know how local members could bring forward ideas for capital projects. They received confirmation that Members should go through the relevant senior officers in the service areas to make their suggestions.

Building on these learning points, the task and finish group suggested that regular updates from directorates that set out planned activities and activities underway would be useful to raise Member awareness. This could also include a geographical analysis showing which parts of Shropshire projects were taking place in.

It was felt that the correlation between the Capital Strategy and Shropshire Plan was important to demonstrate which objectives projects are aligned to, and there was an opportunity to make this clearer in any reporting on the progress and impact of delivering the capital programme.

In considering what happened to the proposed projects that did not make it into the capital programme, Members noted that there could be significant value in having an 'Opportunities Register' that set out a pipeline of identified projects from strategic plans that would contribute to the delivery of the Shropshire Plan. This register of 'oven ready' projects would exist alongside a corresponding record of all known available grant

funding and associated requirements. The 'Opportunities Register' would also help with the timely application for new or launching external grant funding opportunities when they were published, helping to ensure that priorities were delivered and projects could be sustained beyond the external funding.

The Task and Finish group were informed that currently individual directorates or officers pursue grant funding opportunities and external funding streams, and that all grant funding applications must be signed off by the Section 151 officer. Finance keep a record of all grants that the Council applies for and is in receipt of. Part of this includes ensuring that the costs of resourcing these projects are covered by the grant.

Following discussion of examples from other local authorities, Members identified that the Council's use of such a register would usefully be supported by having a centrally located team in place. This team would maintain the register and review maintain a record of external funding or grant opportunities, identifying possible matches and supporting the Council and service areas to apply.

Members asked about the impact of slippage in projects and why project timescales might overrun. In doing so they explored how the progress was reviewed and learning was applied to other pieces of work. They highlighted the financial and non-financial impacts of slippage in capital projects, especially where the capital investment was expected to realise revenue benefits. They identified that this was an area that could be strengthened by applying systematic review and implementation of learning.

They also identified that regular reassessment of progress in projects would help to inform and adjust forecasted savings where significant slippage was occurring or expected to occur.

The task and finish group concluded by identifying that the progress and impact of the capital programme would benefit from greater visibility in the financial reporting.



## 5. Recommendations

The Task and Finish group made the following recommendations:

Recommendation 1 – Realistic Capital Project Timelines, avoiding slippage and improved reporting of delivery, progress and impact.

- That the planned timescales for the delivery of capital projects should be made on robust forecasts to help identify realistic programme and project plan timescales to deliver the Shropshire Plan priorities and the transformation of the council.
- That measures (including KPIs) which evidence capital being used to meet the revenue challenge and demonstrate the impact of slippage of capital projects and programme on the council's budget and future service delivery, should be developed and reported as part of the quarterly financial reporting.
- The importance of accurate planned timescales for capital projects and the avoidance of slippage in their delivery and the realisation of related financial and non-financial benefits should be reinforced.
- That this focus should form part of Getting Leadership Right.

Recommendation 2 – Local member awareness and input.

- Local Members should be notified, at the earliest possible stage, by the relevant senior manager in the operational directorate about emerging proposed capital projects in their area, helping to utilise their knowledge of the communities they represent, and identify issues and delays that could be avoided at the earliest opportunity.
- That the collation and presentation of the Capital Strategy and Programme should include the confirmation that Local Members have been notified about the projects proposed for their Electoral Division or their electoral area, where projects might be in a neighbouring division but potentially impact on theirs.
- That a mechanism for issues to be raised with the relevant Portfolio Holder should be also put in place, providing a member-to-member route.

Recommendation 3 – Systematic review and learning from capital project delivery.

- That there is a systematic and robust process of review for capital projects to ensure that learning is identified that can be used to inform future projects. This review should be undertaken by Officers directly involved in the capital project, with input from local members and the Cabinet Member, and take place at the appropriate time to ensure that both the process and the realisation of the planned

benefits can be taken account of. There needs to be transparency through a more open process which includes this assessment and feedback loop.

Recommendation 4 – Establish an ‘opportunity register’ and central external funding team.

- That the council should establish an opportunity register that sets out a pipeline of projects that enable the delivery of the council’s priorities, including projects identified by communities and partners such as the voluntary, community and social enterprise sector. There should be a corresponding register of known grant funding opportunities that can be used to match with projects.
- That the council should establish a corporately located External Funding Team that looks across all funding opportunities to the council and local stakeholders, with the expertise and capacity to identify the relevant funding opportunities to deliver the projects in the pipeline.

Recommendation 5 – Geographic visualisation of capital projects.

- That, for transparency, the criteria to identify and prioritise capital projects should be set out alongside a geographic presentation of the places where these projects are being delivered. This information and understanding should be used by local members to inform their answers to questions from their communities.

Recommendation 6 – Highways Capital Programme

- That the Economy and Environment OSC should include investigating how Keir and WSP prioritise capital programmes for highways in their work programme.
- That there should be an all-Member briefing on how the highways capital programme is managed, covering:
  - identification and prioritisation of projects,
  - local member awareness and engagement, and
  - the delivery of the projects including contract management and how they deliver investment into council assets to save on future costs e.g. of repair and maintenance, as well as social, economic and environmental benefits.

Recommendation 7 – Responding to recommendations and delivery actions

- That an action plan setting out all of the accepted recommendations should be presented to the meeting of the Transformation and Improvement Overview and Scrutiny Committee on the 19 February 2024, including an update on any actions already taken.
- That the members of the task and finish group should be used as a reference/testing group to inform the development of actions.
- That the approaches for the delivery of the accepted recommendation should be in place by April 2024 to ensure that the delivery of the capital programme in 2024/25 and the development of subsequent capital strategies and programmes is in line with the recommendations.
- That the delivery of the recommendations should be reviewed and reported annually to the Transformation and Improvement OSC as part of mapping of capital spend including against the Shropshire Plan and the tracking of projects.