

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Executive Director of Corporate Services

Audit and Performance Review Committee: 22 May 2013

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**Subject:** Audit Scotland Report: *Major capital investment in councils*

### **1. Purpose**

- 1.1 The report is to provide Members with information regarding a report recently published by Audit Scotland.
- 1.2 The Audit Scotland report provides the first comprehensive review of major capital investment in councils, and provides a set of recommendations for councils to consider.
- 1.3 The report provides information as to the position in West Dunbartonshire and areas for improvement.

### **2. Recommendations**

- 2.1 It is recommended that Members note the report, the set of recommendations arising from the report as described at 4.2 below and the position within West Dunbartonshire Council.

### **3. Background**

- 3.1 The Accounts Commission and Audit Scotland are interested in the impact of capital investment projects, how well they are delivered in terms of being within cost and time targets, and the management of capital projects and investment programmes.
- 3.2 Audit Scotland based their views, as expressed in the report, on:

- A review of 63 recently completed major (value of over £5m) capital projects in councils which were worth a total cost of £2.9b;
- A review of 15 major projects in progress worth £919m;
- Interviews with 21 senior council staff and 9 elected members; and
- Published good practice in project and programme management.

### **4. Main Issues**

- 4.1 The report provides a number of key messages throughout the report which showed that:

- since 2000/01 councils have invested £27b in real terms in building and maintaining assets and infrastructure;
- to fund this councils have increased levels of borrowing, where plans were available it was identified that future investment will be mainly funded through borrowing;
- accurate cost estimates are important to ensure successful delivery and value for money. Evidence from the audit identified that cost and time estimates were mainly inaccurate at the outset and improved as the projects matured; and
- councils have improved governance structures in recent years, however improvement is required in the development and use of business cases and use of monitoring information, both of which enable and support scrutiny and decision-making.

**4.2** The report identifies a number of key recommendations that councils should:

- develop and confirm long-term investment strategies which set out the needs and constraints for local capital investment and consult with stakeholders as the strategies are developed;
- assess the appropriateness of using borrowing and/or private finance within the investment strategy to ensure that plans are financially sustainable and help achieve value for money;
- actively look for opportunities for joint working with other councils, community planning partners and public bodies to improve the efficiency of the capital programme by considering joint projects, sharing resources such as facilities and staff and joint procurement opportunities;
- improve the quality of capital project and programme information that is routinely provided to elected members. Information provided should cover:
  - annual financial performance against the capital budget;
  - project and programme level performance against cost, time and scope targets;
  - risk reporting, including identification, likelihood, financial impact and mitigating actions taken; and

- an assessment of intended and realised benefits.
- carry out early assessments of risk and uncertainty to improve the accuracy of early-stage cost estimates and project timescales;
- consider developing a continuing programme of training for elected members on capital issues;
- collect and retain information on all projects including explanations of cost, time and scope changes and lessons learned. This to be reported publicly to improve transparency and scrutiny of project delivery and share lessons learned across services and other councils; and
- develop and use clearly defined project milestones for monitoring and reporting to include a clear process for preparing and approving business cases as a key part of decision-making and continuous review of all major capital projects.

**4.3** In relation to the above recommendations and the position of West Dunbartonshire Council the council:

- has recently approved a long term approach to investment planning, however for future development of this there is a need to improve how the council consults with stakeholders;
- the long term capital plan identifies a number of funding sources to deliver the projects within the plan. As far as possible the council will aim to minimise borrowing by aiming to fund projects through capital receipts, grant provision, match funding, etc. Where borrowing is required the plan clearly identifies the revenue impact of such borrowing and where possible will consider alignment of any revenue savings generated as a result of the capital investment to funding the revenue impact of the borrowing;
- in general the approach to seeking joint working opportunities has not been planned, however management are taking steps to improve this area through work currently underway with the Scottish Futures Trust;
- for 2013/14 onwards a new format for reporting of capital programmes and projects has been agreed through the Strategic Asset Management Group (SAMG) and the Corporate Management Team (CMT). This will improve the standard of reporting, however officers will review this in light of the elements which are identified in the Audit Scotland report;

- the early analysis and consideration of risk should form part of the development of business cases for investment projects. The approach to planning and review of projects has recently been developed and as part of the new monitoring arrangements agreed by the SAMG and the CMT will include post project reviews which will cover this aspect of the process;
- the training needs of elected members in relation to capital issues will form part of the ongoing consideration of members training plans;
- the new monitoring and post-project review process referred to above will provide the relevant record of scrutiny in the progress of projects and programmes allowing appropriate transparency of reporting and of changes to project/programme cost, timescales and scope; and
- the new monitoring process referred to above required key milestones to be identified and project/programme progress will be monitored against these.

## **5. People Implications**

5.1 There are no personnel issues.

## **6. Financial Implications**

6.1 There are no direct financial implications arising from this report.

## **7. Risk Analysis**

7.1 The report from the Audit Scotland allows members to consider the issues and recommendations which are identified above. The risk is that capital resources are not used effectively and/or efficiently through poor management processes and weak monitoring and scrutiny arrangements. The processes recently developed for long term capital planning and recently agreed by the CMT for monitoring arrangements for 2013/14 aim to improve the approach to capital planning and monitoring. Historically for West Dunbartonshire the main issue has been about not achieving planned timescales as evidenced by significant slippage of funds between financial years. It is anticipated that the new approach to managing and monitoring by projects over the expected life of the project will improve this position

## **8. Equalities Impact Assessment (EIA)**

8.1 There are no issues.

## **9. Consultation**

9.1 This report has been subject to a check by Legal, Democratic & Regulatory Services.

## 10. Strategic Assessment

10.1 This report relates to delivering Fit for Purpose Services as the main thrust of the report considers how best to prepare and support Elected Members to undertake their role in the decision making of the Council.

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**Date: xx/05/2013**

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**Appendix:** The Accounts Commission's overview of local government in 2013: *Responding to challenges and change*

**Background Papers:** Report to Audit and Performance Review Committee 29 August 2012: *An overview of local government in Scotland – Challenges and change in 2012*

**Wards Affected:** All wards affected.