Appendix 1

Capital Programme Governance Handbook

Version 1

Contents

1   Introduction

<u>Purpose</u>

1.1   This document provides an overview of governance procedures for the Capital Programme commencing in April 2020.

<u>Overview</u>

1.2   The Capital Programme will be governed by:

- decision making arrangements that align to Powys County Councils' decision making processes,
- gateways aligned to Office of Government Commerce (OGC) standards,
- a consistent approach, a Corporate standard for business cases and other documentation required to inform decision making.

1.3   The governance procedures outlined in this document will contribute towards:

- disciplined governance that includes approval gateways at which viability and validity are reviewed and approved,
- recording and communicating decisions made at approval gateways,
- establishing clearly defined roles and responsibilities for officers and members,
- procedures that allow the opportunity for projects or programmes to receive additional scrutiny/assurance,
- ensuring that business cases are supported by information that enables informed and effective decision-making,
- ensuring that stakeholders are engaged in evaluation and decision making.

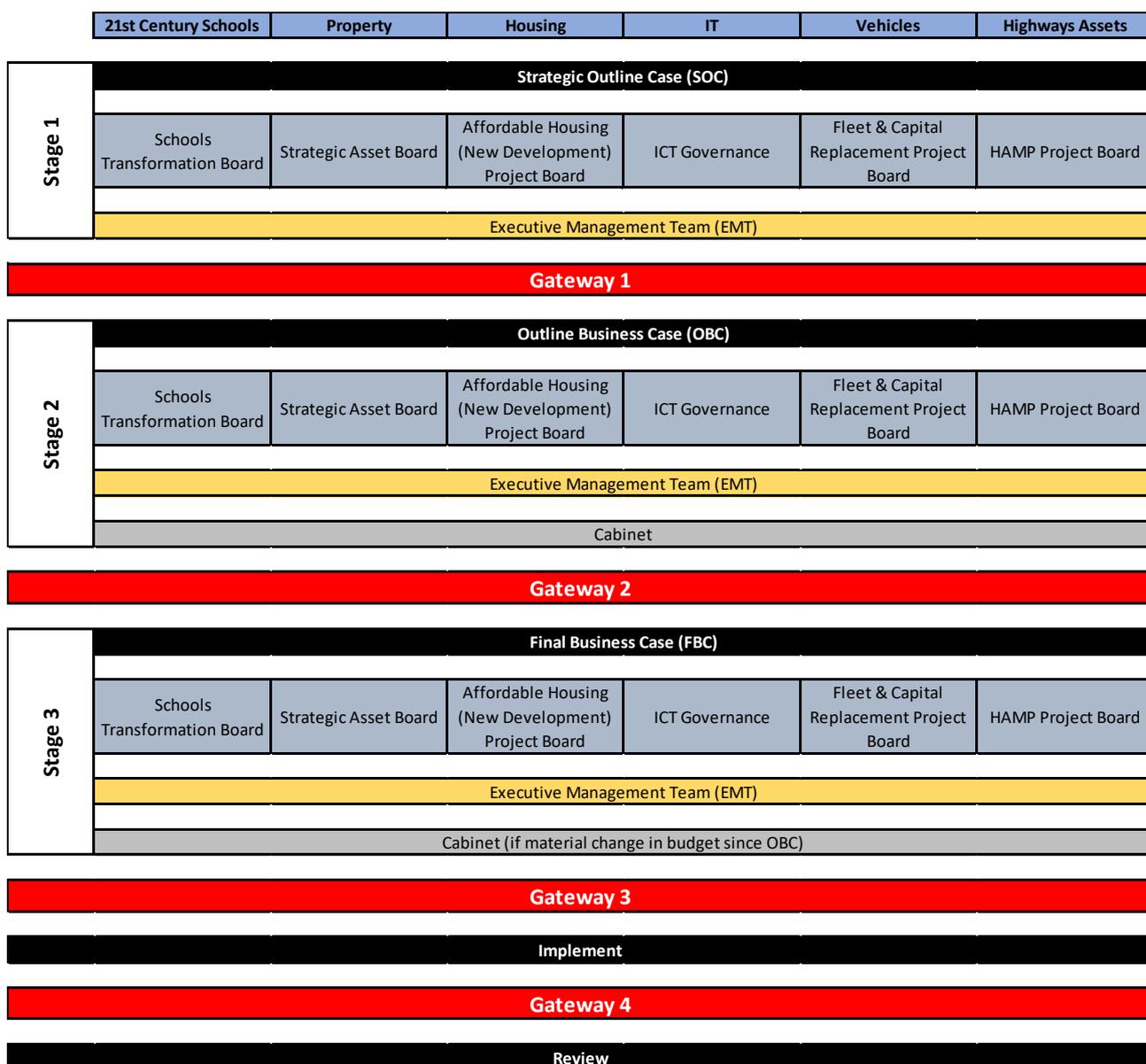## 2   Governance Organisation Structure

<u>Introduction</u>

2.1   This section sets out the governance and decision-making structure for the Capital Programme and is set out in the diagram below (Chart A)

2.2   Stage 1 - The Strategic Outline Case (SOC), these must be completed for the new bids and should be approved by Executive Management Team.

Stage 2 - Once the SOC is approved, managers will need to complete more detailed work, particularly on the economics of the case, finances (detailed costings) and submit the Outline Business Case (OBC) for approval through the Strategic Asset Board, who provide challenge and then make recommendation to EMT / Cabinet to approve.

Stage 3 - The Final Business Case (FBC) is the final gateway and the project would move to the procurement stage At this point the tender price for the project would be known and the risks quantified. Only when the FBC becomes a live project does the capital budget get allocated, which will improve our budget forecasting and profiling.

2.3 Governance Organisation Structure Chart (Chart A)

21st Century Schools	Property	Housing	IT	Vehicles	Highways Assets

Stage 1

Strategic Outline Case (SOC)					
Schools Transformation Board	Strategic Asset Board	Affordable Housing (New Development) Project Board	ICT Governance	Fleet & Capital Replacement Project Board	HAMP Project Board
Executive Management Team (EMT)					

Gateway 1

Stage 2

Outline Business Case (OBC)					
Schools Transformation Board	Strategic Asset Board	Affordable Housing (New Development) Project Board	ICT Governance	Fleet & Capital Replacement Project Board	HAMP Project Board
Executive Management Team (EMT)					
Cabinet					

Gateway 2

Stage 3

Final Business Case (FBC)					
Schools Transformation Board	Strategic Asset Board	Affordable Housing (New Development) Project Board	ICT Governance	Fleet & Capital Replacement Project Board	HAMP Project Board
Executive Management Team (EMT)					
Cabinet (if material change in budget since OBC)					

Gateway 3

Implement

Gateway 4

Review

2.4 Roles and Decision Making

County Council Decision:
- Approval of the ten-year indicative Capital Programme
- Approval of the annual Capital Programme.
  Approval of other capital schemes, above £500,000 that arise through the year outside the current budget

Cabinet:
- Recommendation of ten-year indicative Capital Programme to County Council.
- Recommendation of annual Capital Programme to County Council
- Approval of addition or deletion of initiatives (Programmes or Projects) to approved programme in current year.

- Monthly review of Capital Programme.

Scrutiny Committee:
- Scrutiny of ten-year indicative Capital Programme.
- Scrutiny of Cabinet and Cabinet Members decisions in relation to initiatives (Programmes or Projects).
- Seek preview of business cases

Executive Management Team (EMT):
- Senior officer governance body that provides oversight, challenge and assurance of the development, management and control of the Capital Programme, including changes in scope, cost, outputs and outcomes.

Heads of Service:
- In consultation with the Section 151 Officer, to take decisions approved by EMT in accordance with the scheme of officer delegation.

2.5   The Approval Route for each project will be based on the categories below. With the aim to ensure proportionate documentation and decision making.

Category	Value	Impact	Complexity	Risk
Major	Greater than £1m	Project outcomes are critical to achieving the Councils strategic objectives	Complex with cross service impact, may involve external stakeholders	High, Substantial internal / external risk is likely or unavoidable
Mid-Tier	£100k to £1m	Project makes a major contribution to the Council's strategic objectives	Less complex, possibly requiring input from different services	Medium: Potential for short-term internal / external risk
Minor	Less than £100k	Project outcomes directly contribute to one or more of the Council's strategic objectives	Fairly straightforward	Low: Risk are low level and localised to the relevant service

2.6   The manager will consider which rating descriptions (from the Value, Impact, Complexity and Risk category columns) best reflects the project. The category with the 'highest' rating - not necessarily Value - will indicate the most appropriate Category to suggest for the project. For example, a project valued in excess of £1m will always be a Major Project. A straightforward project with a £40k value that has localised outcomes, but a high-Risk rating will be classed as a Mid-Tier project.

2.7   Major projects will need to process through all the stages shown in Chart A above

2.8   Mid-Tier projects once approved at gateway one can progress straight to a Final Business Case and Gateway three without the need for the Outline Business Case stage to be completed.

2.9   Minor Projects will be processed through the Councils Small Capital Bid process.

3   Gateway Review Framework

Introduction

3.1   The Gateway Review Framework (see below) identifies multiple points within an initiative's lifecycle where a decision must be made on progression. These decisions vary from approval of options for further analysis to final investment decisions and change control. Therefore, dependent on the gateway, risk and cost of the scheme, the appropriate decision maker will vary.

3.2   The Gateway Review Framework is based upon the recommended approach established by the Office of Government and Commerce (OGC). It provides key points in an initiative's lifecycle where a review and decision on progression will be made. All initiatives, via a programme or project business case will be subject to this process. It will allow the Capital Programme to be regularly tested in terms of validity, viability and affordability, allowing both strategic and technical direction to be provided.

3.3   Gateway Review Framework
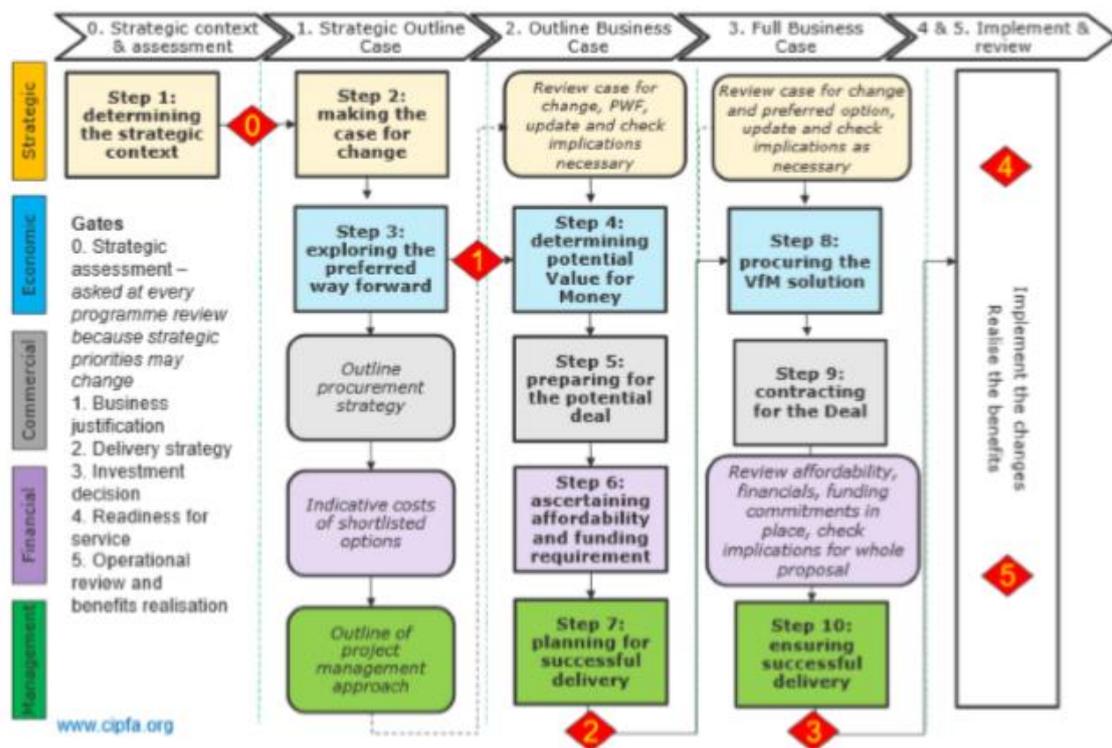
3.4   This model should be used in a flexible and proportionate way considering the risk and cost associated with individual initiatives.

3.5   At each gateway the following options are available

- **Approve** - Project to proceed to next stage.
- **Deferred** - Decision on project is deferred as additional information is required, business case to be updated and brought back for a decision.
- **Decline** – Project is not to proceed.
- **Pipeline** – Project is put on hold until a time suitable for it to be completed.

4   Business Case Development

<u>Introduction</u>

4.1   The Council has adopted a corporate standard for business case development that is based upon the HM Treasury 'Green Book Five Case Model' which is also considered to be good practice. It clearly sets out the strategic, economic, commercial, financial and management case for investment.

<u>Approach</u>

4.2   A single template is used for development of business cases which can be tailored to include the appropriate level of detail for a Proposal; Strategic Outline Case; Outline Business Case; Full Business Case. Further guidance on the development of the business case is contained within the template.

4.3   All costs incurred in the preparation of the business cases up to and including gateway three must be met from the services existing revenue budget.

4.4   Full guidance and business case templates can be found in the following location https://powyscc.sharepoint.com/:f:/s/services/finance/ops/finance/EgJYk2gl52ZNh5y w3G1ojSMBRG5dJt1-QcpxGxVcbMrXMA?e=eHB31j

5   Change Control

<u>Introduction</u>

5.1   The Council is applying a systematic approach to the identification, assessment and control of change. The aim is not to prevent changes; it is to ensure that each change is agreed by the appropriate authority before it goes ahead.

5.2   Change can only be considered in relation to an established baseline. In the Capital Programme, the baseline will be provided by the approved Full Business Case and any supporting documents, e.g. plans.

5.3   The following items will be managed under formal Change Control:

- Increase in costs (with a funding impact),
- Cancellation of a project,
- Expenditure profile change between financial years,

5.4   The following approval levels will be applied to cost increases and virements:

100% funded by external sources	Funded by corporate sources e.g. Capital receipts, revenue funding etc, borrowing
Grant offer letter accepted by Head of Service and Section 151 Officer. Cabinet informed of all new grant funding in Capital Monitoring report	**Up to £25,000** Approved by Head of Services in consultation with the Section 151 Officer.
	Between £25,001 and £100,000 Approved by Portfolio Holder in consultation with the Section 151 Officer.
	Between £100,001 and £500,000 Approved by Cabinet.
	Over 500,000 Approved by County Council.

Change Control Review and Approval

5.5   Changes will be taken to the appropriate body for decision.

6   Capital Programme Monitoring

Introduction

6.1   When an initiative/Project has been approved as part of the Capital Programme it will be subject to proportionate and periodic monitoring. The in-year capital programme will be overseen by the controls below. This will allow EMT to take corrective action where required.

6.2   The Capital Programme is monitored and reported upon on a monthly basis. This shows the following details by service for the current financial year:

- Approved capital programme
- Actual spend to date
- Commitments
- % and amount of remaining budget
- A variance from approved and current estimate that is then analysed to explain why
- Financing of the current year programme showing the current estimates.

Capital Programme

6.3   The Capital Programme provides a comprehensive list of all activity within the Capital Programme. It allows oversight of the programme, providing a consistent view of all

initiatives, including the sponsor, project manager, approved funding, a description of the project, governance arrangements and link to Vision 2025.

7   Benefits Realisation

7.1   Benefits Register to support business case (to be provided by project Sponsor)

7.2   Benefits tracking will be in line with corporate performance procedures

8   Administration

8.1   SharePoint will be used to host the documentation that supports boards, programme updates and tools.