

## Appendix 1 – the capital approval process

### Proposed Capital Approval Process

1.1 As outlined in the Capital Strategy, the capital approval process has been reviewed, with changes proposed to ensure it remains fit for purpose. This appendix details the process, and highlights the changes proposed. The revised process is shown at figure 1 below, with the changes proposed detailed below.

### The Approval Process

1.2 The capital expenditure and investment decision making process has five distinct stages to cover project initiation, project design and costs, democratic process, capital expenditure approval and monitoring/review. For any project seeking capital expenditure approval a business case must be drafted, covering:

- **Strategic Fit:** how the project links to the City Council's strategic priorities, social value, and any statutory requirements.
- **Economic Value:** what economic value the project will provide to the City, including social value.
- **Financial Implications:** funding model, with evidence of cost and capital and revenue implications.
- **Risk and Deliverability:** timescale for delivery and identification of risks to the project, including legal issues.
- **Outcomes to be delivered:** what the project will achieve, and the benefits that will be realised. This includes social value, and impact on the low carbon strategy.

1.3 The business case must be agreed by the relevant directorate board and supported by the relevant Executive member prior to submission to the Capital Peer Review Group and the Capital Investment Group.

### Forward Plan and scheme initiation

1.4 *Forward Plan* - A key objective of the changes is to provide a strong strategic top down as well as bottom-up approach to the development of the future programme. This will ensure that all scheme proposals will be considered together, as part of a newly developed Investment Forward Plan (pipeline), so that only those that are key priorities are taken forward to full business case submissions. The forward plan will be reviewed half-yearly for new projects. This will ensure that the maximum benefit is gained from council resources. A member and senior officer led Capital Investment Group will be established to regularly review the project pipeline, alongside the capital financing forecast.

1.5 *Capital Project Initiation Form (due diligence template)* - To support more robust decision making at the initial stages a Capital Project Initiation Form will be completed for a scheme detailing the associated assumptions around benefits, costs and links to strategic priorities, replacing the current Checkpoint 1. This will support greater scrutiny of projects at the inception stage and allow a more holistic approach to developing the full business case by allowing other services

to comment at that stage.

- 1.6 *Place Focus* - as part of the forward plan development there will be an increased place focus. This will increase the neighbourhood focus, recognising the impact of capital investment on place. Neighbourhood management teams will be invited to scrutinise projects at the inception stage, to ensure they align with neighbourhood plans.

## **Project Governance**

- 1.7 *Creation of Capital Investment Group* - The review of the existing process identified that developing member involvement and strengthening the prioritisation process for capital investment was critical to taking the programme forward, and that whilst the existing Capital Strategy Board provided a view to SMT members of the investment proposals, the structure of reviewing schemes did not support a wide-ranging view of the programme or potential future investments. A member and senior officer led Capital Investment Group will be established to regularly review the project pipeline, alongside the capital financing forecast.
- 1.8 *Capital Peer Review Group* - Any capital investment business case proposal will be peer reviewed and within the Council there are commercial and public sector professionals who carry out this work. The approval review process will create a multidisciplinary Capital Peer Review Group to meet quarterly, to provide more robust challenge to business case investment proposals (Checkpoint 2), and to ensure that the benefits ascribed to the projects are realistic and achievable. Where required external advice will be commissioned to perform due diligence or to support the creation of the business case. External advisors are also used for material projects that have a level of risk associated with them.
- 1.9 *Key decisions* - Until November 2022, key decisions for capital expenditure were taken at the point that expenditure is about to be incurred. This limited effective scrutiny, which should be at the point the project is approved and added to the capital budget. Therefore, the Council's constitution was altered to make the key decision at the point the budget increase is approved. This would enable scrutiny at an earlier stage of a project and support better decision making.

## Proposed Capital Approval Process and Governance –

