

Capital Framework Improvement Plan

Croydon Council (London Borough of Croydon)
January 2023



Background

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Background

Context

- In November 2022 PwC was commissioned to support the Council in developing its Capital Strategy; a document that both drives and explains capital expenditure and investment decisions in line with service objectives and overall organisational strategy, and demonstrates how capital investment decisions are being made with sufficient regard to the long-term financing implications and potential risks to the authority.
- In parallel, a high-level current state assessment was undertaken, reviewing existing capital framework documentation against good practice, as set out in CIPFA's 2021 Guidance (Capital Strategy Guidance: A Whole Organisation Approach), and through liaison and discussion with key Council stakeholders (Appendix A). This process enabled the identification of key areas for development and improvement as articulated in a set of recommendations and an indicative high-level implementation plan.
- The Capital Strategy prepared between November 2022 and January 2023 demonstrates that the Council has made some progress in developing its approach to capital governance, management and monitoring of the Capital Programme, with the focus of effort to date centred on addressing those recommendations relating to capital within the Reports in the Public Interest (RIPI), Worthing Solutions and Corporate Finance Review reports.
- The creation of the Capital Internal Control Board (CICB) provides a solid foundation for capital governance at a strategic level and the procurement of an Electronic Project Proposal Management System (EPPMS) to support capital project management, monitoring and reporting represents a significant opportunity to enhance the Council's capital framework. The latest Asset Management Plan and its commitment to embedding an Asset Review and Challenge process also signals how the Council will better understand its future capital requirements and the role of property assets in supporting service transformation.
- The Council does, however, recognise that much more needs to be done.
- This document aims to support the Council in its improvement ambitions over the coming year. It sets out the findings from the high-level gap analysis before providing a series of recommendations grouped across four thematic areas alongside supporting tools and templates which draw on good practice examples from across the sector. It also provides an indicative implementation plan to aid strategic planning and decision-making.
- The document is structured as follows:
 - Capital Framework Good Practice & Gap Analysis
 - Recommendations
 - Indicative Improvement Plan
 - Indicative Tools & Templates
 - Governance Framework, Approvals & Key Roles
 - Business Case Framework
 - Reporting Framework
 - Appendices

Capital Framework Good Practice & Gap Analysis

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Capital Framework Good Practice & Gap Analysis

Section	Good Practice State	Current State	Gap
Capital Strategy Purpose	<ul style="list-style-type: none"> • Capital strategy intention • Strategic planning framework • Evidence of need 	<ul style="list-style-type: none"> • The Mayoral Business Plan 2022-26 sets out outcomes and priority areas which form the basis for the purpose of the Capital Strategy • Short-term focus given current financial landscape and challenges 	<ul style="list-style-type: none"> • Long-term ambitions (10 year + time horizon) are not currently articulated and linked to a clear strategic planning framework • Data analysis, insight and intelligence to inform and evidence a need for future capital investment on a service by service, cross-cutting and wider public sector basis is not set out
Capital Strategy Influences	<ul style="list-style-type: none"> • External (strategic and key partner influences) • Internal (organisation and commercial strategies, asset management etc) 	<ul style="list-style-type: none"> • The 'Delivering for Croydon Programme' comprising regeneration projects to develop new housing and modern infrastructure to support growth is the only identified internal influence on the existing Capital Strategy 	<ul style="list-style-type: none"> • Absence of clearly identified strategically important external and internal influences and partners in relation to capital investment and expenditure, or associated impact and actions and activities to address
Capital Programme Plan	<ul style="list-style-type: none"> • Capital investment principles, objectives and priorities • Capital Planning process • Capital programme delivery 	<ul style="list-style-type: none"> • The Capital Programme is presently in an immature state with a limited focus on medium to long term capital programme expenditure and funding • Policies, processes and operating procedures to support effective capital planning and programming are immature or lacking 	<ul style="list-style-type: none"> • Absence of long-term forecasting of capital expenditure and funding • Need for clear articulation of the driving principles that will shape the approach to the Capital Programme • No clear and transparent capital planning and prioritisation framework is in place • No delivery and performance framework currently exists

Capital Framework Good Practice & Gap Analysis

Section	Good Practice State	Current State	Gap
Capital Programme Governance Model	<ul style="list-style-type: none"> Capital programme board and roles and responsibilities are clearly set out providing systematic oversight and review of business cases for capital projects Formal approval process of capital projects Formalised processes in place for variations and amendments to the Capital Programme 	<ul style="list-style-type: none"> The Capital Internal Control Board (CICB) has been created and provides strategic oversight and review of capital bids for projects No standardised arrangements for capital project and programme management exist across service directorates 	<ul style="list-style-type: none"> A comprehensive business case-led approach to capital project identification and approval supported by appropriate tools, templates and guidance is not in place Absence of clear capital programme amendment procedures (in year variations, new or emergency projects)
Capital Programme Funding and Financing	<ul style="list-style-type: none"> Current capital programme expenditure Capital programme funding requirements Forecast of capital expenditure and funding Funding sources 	<ul style="list-style-type: none"> The Council had provided details of the funding and financing of the Capital Programme comprising an overview of the funding sources to be used to finance expenditure and Prudential Indicators to measure the affordability of the capital investment plans 	<ul style="list-style-type: none"> A need for more robust assessment of prudential and affordable borrowing limits An absence of a debt reduction strategy
Capital Programme Management and Monitoring	<ul style="list-style-type: none"> Monitoring mechanisms Capital appraisal process Decision-making process Management of programme delivery Reporting structure and processes 	<ul style="list-style-type: none"> A capital bids process exists. Supporting templates provide a project overview, set out the proposed delivery route for the project alongside a financial breakdown of proposed expenditure, funding and assess schemes against evaluation criteria 	<ul style="list-style-type: none"> No clear capital reporting framework providing a standardised and consistent project, programme and portfolio performance monitoring approach, aligned to the capital governance, model exists Absence of a post-project delivery evaluation procedure

Capital Framework Good Practice & Gap Analysis

Section	Good Practice State	Current State	Gap
Asset Management Strategy	<ul style="list-style-type: none"> • Current property portfolio overview • Current property development programme and asset review • Investment strategy • Disposal strategy 	<ul style="list-style-type: none"> • The Corporate Asset Management Plan (AMP) provides guidance on the strategic management of assets and the Council's ambitions of reviewing and challenging its current asset portfolio. It also includes details on governance around asset disposals. 	<ul style="list-style-type: none"> • Absence of an overview of the current property portfolio and its performance against key metrics • Limited understanding of future service needs and associated implications for the Council's built estate and opportunities to rationalise, re-configure and right-size
Risk Management Strategy	<ul style="list-style-type: none"> • Separate overarching risk management framework for capital • Assessment of risk appetite • Macro risk assessment and mitigations 	<ul style="list-style-type: none"> • A simple risk register captures and consolidates the risks identified and mitigation actions associated with capital projects and programmes and is reviewed by the Capital Internal Control Board 	<ul style="list-style-type: none"> • Absence of an independent risk management framework to assess and agree risk appetite • Absence of the identification and development of mitigation strategies for macro level risks associated with the capital portfolio and constituent programmes
Organisational Knowledge and Training	<ul style="list-style-type: none"> • Internal skills and capacity assessment • Approved plan for the continued professional development of staff 	<ul style="list-style-type: none"> • The terms of reference for the Capital Internal Control Board acknowledges a need to develop the knowledge and skills of key stakeholders working across capital project / programme and capital finance competencies 	<ul style="list-style-type: none"> • An absence of an established process for identifying capacity and capability requirements and associated training needs • No plan for developing and improving the skills and knowledge of key officers and members in relation to capital planning, programming, management and monitoring currently exists.

Recommendations

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Recommendations

Our key recommendations across four thematic areas are set out below. Each recommendation is considered high priority with its implementation likely having a material impact on the Council's ability to more effectively plan, programme and manage its capital investment and expenditure in line with its strategic plans and priorities and with sufficient regard to the long-term financing implications and potential risks to the authority.

1

Governance Model

- Undertake a review and gap analysis of the existing **capital governance model** against the good practice blueprint set out in **section 6**
- Consider the merits of establishing a '**Capital Hub**' in the medium term. This function would have responsibility for overseeing and managing the Council's Capital Programme, the governance process and reporting and monitoring. It would also play a key role in designing, implementing and embedding good practice tools and templates across the authority with external support / guidance as appropriate

2

Capacity & Capability

- **Assess existing capacity and capability** across the authority in relation to the capital planning and programming, delivery, management and monitoring spectrum in line with good practice (see suggested roles and responsibilities in **section 6**), identifying gaps and actions to mitigate as appropriate
- **Secure CMT buy-in to the proposed capital governance framework and skills / capability and capacity action plan**
- **Design and roll-out a training event** for officers and members involved in capital governance and capital project management

3

Business Case Led Approach

- **Design, implement and embed a business case-led approach** for new capital investment needs and project development. This should be underpinned by the five-case model for developing business cases based on HM Treasury guidance in the Green Book (**see section 7**) and should build upon the existing capital bid process and pockets of good practice as appropriate.
- Officers within the Capital Hub (or equivalent) should be responsible for designing, implementing and embedding good practice tools and templates with external support / guidance as appropriate.

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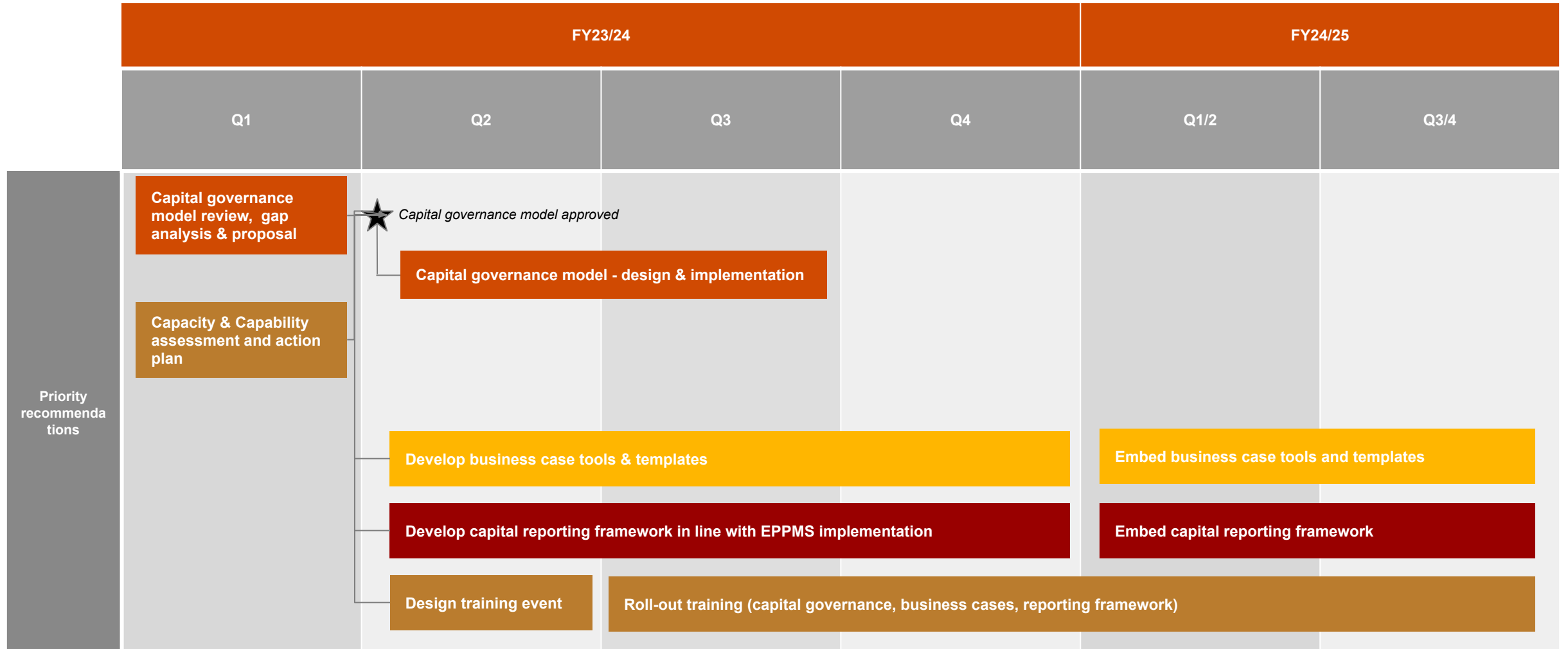
Reporting & Monitoring

- **Develop a more robust capital reporting framework**, underpinning the capital governance model approved by CMT, that introduces a standardised and consistent reporting approach for capital programmes. This framework should comprise four reporting levels and cover four key metric categories: timeline and delivery; finances; risks, and benefits (**see section 8**).
- **Metrics / KPIs for each of the four metric categories should be outlined for each reporting level** building on the project level reporting good practice example provided on **slide 30**. Reporting ambitions and indicative templates should inform the specifications for, and implementation of, the new EPPMS and form part of both pre and post EPPMS training on good capital project management.

Indicative improvement plan

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Indicative Improvement Plan

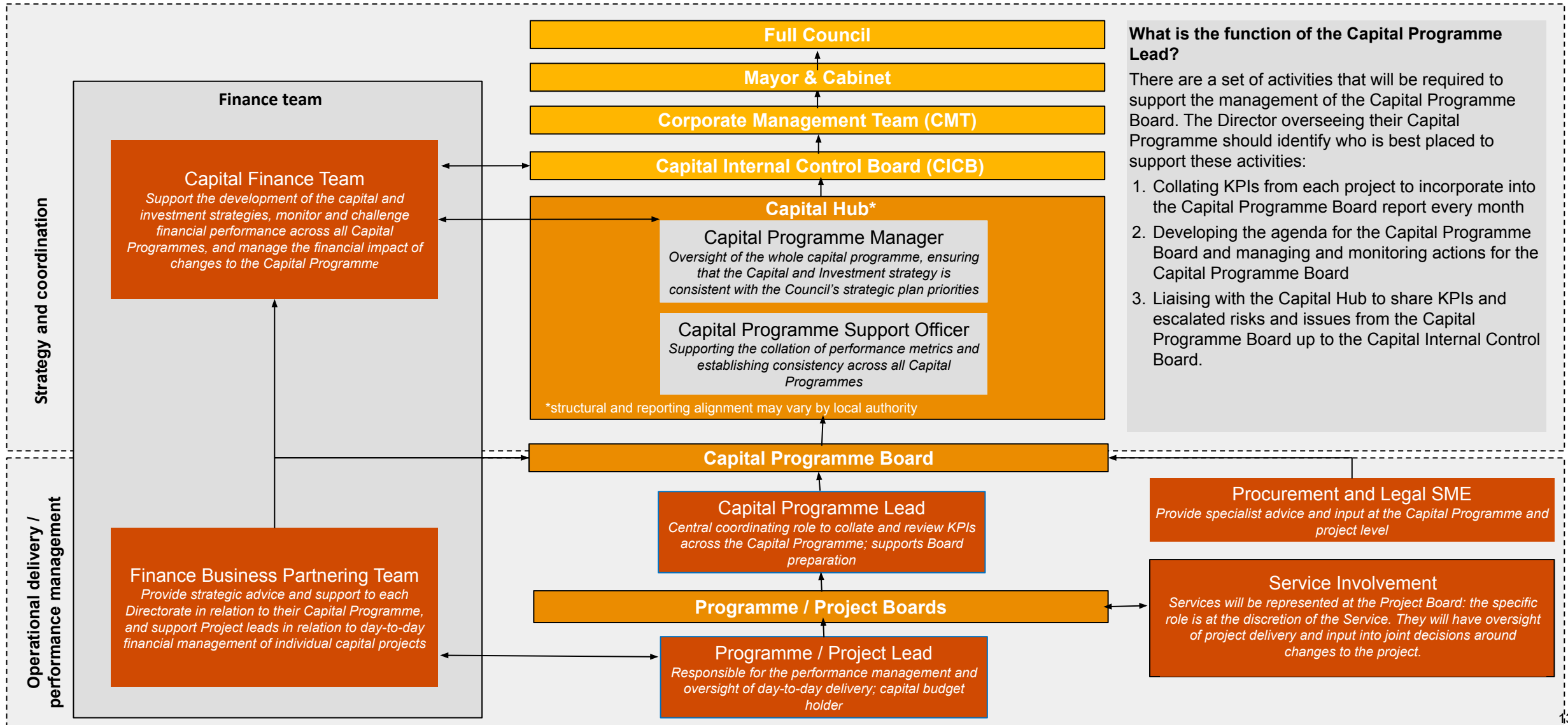


Indicative Tools & Templates - Governance Framework, Approvals & Key Roles

6

Governance Structure and Process: overview of key roles

The diagram below provides a blueprint for capital governance, drawing on good practice from across the local government sector.



Approval Process: key stages of project scoping and approval

An overview of the key stages of project scoping and approval and their relation to annual budget setting processes is set out below. Budget terms should stem from the authority's Financial Procedure rules.

Ten year capital programme (annual budget setting)	Initial Business Case	Outline Business Case	Full Business Case
Strategy & Development of Capital Programme <ul style="list-style-type: none"> On an annual basis, the ten-year Capital Programme is amended. It should include: <ul style="list-style-type: none"> Firm projects (including those currently being delivered), with agreed budgets. High level proposal of the annual programme of work with indicative budgets for each project. This should include an initial business case for each proposed project. Pipeline of projects for future years 	Stage 0: Establishing the Case for Change <ul style="list-style-type: none"> The strategic case for change and the anticipated outcomes of the investment. This should include a data-driven evidence base that demonstrates the need to invest. A long list of options and high level options appraisal based on a SWOT and cost benefit analysis. This should include BAU ('Do nothing') as an option. A short list of options to progress to OBC, identifying the preferred option. A high level implementation plan and indicative budget for the preferred option. 	Stage 1: Options appraisal and feasibility <ul style="list-style-type: none"> A detailed options appraisal based on a detailed cost benefit analysis of each short listed option. An agreed procurement strategy (including procurement route, risk allocation and charging mechanism). An implementation plan and final budget for the preferred option. This budget is the baseline, according to the financial procedure rules. 	Stage 2: Detailed design and procurement <ul style="list-style-type: none"> A summary of the procurement process and evaluation of each shortlisted service provider, presenting the most economically advantageous tender Contract management arrangements and terms and conditions, and confirmation of readiness to enter into the contract and begin delivery Detailed design of the solution, a refined and final project plan and revised budget No separate change request form is required for variations
Indicative budget	Provisional budget	Final budget	Revised budget (a variation)

For projects / programmes that are part of the ten year Capital Programme, they have already been approved by the Capital Internal Control Board and Full Council.

As they progress across the stages, they are managed by the Capital Programme Board and do need to go back to the Capital Internal Control Board or Full Council, unless there is a variation against the previous approved budget.

For new in year projects / programmes, the IBC needs to be initially approved by the relevant governance board, as per the Council's schemes of delegation. From Stage 1, they are managed by the Capital Programme Board and do not need to go back to the Capital Internal Control Board or Full Council, unless there is a variation against the previous approved budget.

Approval Process: project lifecycle overview

An overview of the approval process across the project lifecycle which draws on local government good practice is set out below.

Strategy & Capital Programme development

Strategy & Capital Programme development

- A capital and investment strategy and ten-year Capital Programme is developed for the Council. It is drafted by the Capital Internal Control Board, which compiles and reviews proposed Capital Programmes developed jointly between the Service and team responsible for delivering the Capital Programme.
- On an annual basis, the ten-year Capital Programme is amended to (a) roll forward an additional year, (b) include new funding, (c) include any additional in year projects, (d) include the specific amount of funding where it is allocated annually (e.g. for schools).



Management of the Capital Programme and annual programme of work

- The updated ten-year Capital Programme should include an annual programme of work. This should include indicative budgets for each project. Once approved by Full Council, it will form the approved Council Capital Programme.
- In year changes can be made to the approved Capital Programme. This may relate to unplanned emergency projects or may be a result of a new source of funding. It also include any variances in cost.
- The Capital Programme Board oversees and manages the annual programme of work and determines when projects can be progress to the next stage.

★ Approval

Stage 0: Case for change

Commit to investigate

- A Project lead is assigned to initiate Stage 0: establishing the case for change, and drafting the initial business case (IBC).
- The IBC should set out an evidence-based case for change and assess a long list of options, including continuing with BAU.
- The IBC is presented to the Capital Programme Board, which can reject, request adjustments, or approve it. It is escalated to the Capital Internal Control Board or Full Council if the budget is higher than the previously approved budget, or if it is a new in-year project.

★ Approval

Stage 1: Options appraisal and feasibility

Commit to invest

- The objective of this stage is to investigate and conduct the required due diligence (through a feasibility assessment) to confirm the preferred way forward.
- The preferred way forward should be identified from a robust cost benefit analysis of a short list of options.
- The OBC is presented to the Capital Programme Board, which can reject, request adjustments, or approve it. It is escalated to the Capital Internal Control Board or Full Council if the budget is higher than the previously approved budget.

★ Approval

Stage 2: Detailed design and procurement

Commit to spend

- The objective of this stage is to conduct the detailed design and submit the planning application. The full business case should be developed up to final commitment to execute the project.
- A procurement exercise is conducted, in line with Council procurement rules. The outcome of the procurement should identify the most economically advantageous tender.
- The FBC is presented to the Capital Programme Board, which can reject, request adjustments, or approve it. It is escalated to the Capital Internal Control Board or Full Council if the budget is higher than the previously approved budget.

★ Approval

Stage 3: Project delivery

Ongoing project performance management

- The Capital Programme Board should have central oversight of all project and programme performance.
- The Capital Programme Lead should maintain a central dashboard of finance and delivery KPIs from all projects which the board reviews on a monthly basis.
- The Capital Programme Board will focus on variances in time, scope, and cost, as well as key risks and issues.

Variations in scope, cost, and time

- Variations in time, scope, and cost are tracked against the OBC and should be measured against the previous variation, as well as the baseline.
- Once a variation in cost is identified at a project level, the Project lead will complete a change request form.
- Change requests are signed off at the Project-level, Capital Programme Board, or Capital Internal Control Board, based on the scheme of delegation.

★ Approval



Project closure

- Project closure occurs once delivery and the physical finish of the build is completed.
- A client acceptance process is undertaken between LBC, led by the Project lead, and the external contractor.
- A project closure report is completed after three months of completion.

Stage 4: Final closure

Final closure and benefits realisation

- Final closure occurs twelve months after project closure.
- The importance of this stage is to ensure that there is an effective handover between the delivery team and the team responsible for managing the asset, and that the intended outcomes and benefits are measured after the project has ended.

★ Approval

Responsibilities: Capital Hub Team

A Capital Hub team typically comprises a Capital Programme Manager and Capital Programme Support Officer, who are responsible for overseeing and managing the Council's Capital Programme, the governance process, and reporting to the Capital Internal Control Board, Corporate Management Team, Mayor & Cabinet within the capital governance structure.

Capital Programme Manager

- Leads the Capital Hub and supports the management of the Capital Programme, which comprises the portfolio of the capital projects and pipeline
- Contributes to the capital and investment strategy and supports the annual capital and budget planning process, in alignment with the LBC's strategy and Corporate Plan
- Liaises with each Capital Programme Board, the Capital Internal Control Board, Capital Finance Team around capital needs and priorities
- Oversees the resources, processes, technologies and approach to ensure the successful delivery of capital programmes and projects
- Oversees and compiles monitoring and reporting to provide a central view of the Capital Programme, incorporating performance data from each Capital Programme Board
- Drives and manages the capital governance framework, ensuring the correct escalations and the projects are discussed at the right level of governance, and provides advice and guidance to staff
- Supporting the management of the Capital Internal Control Board, in terms of preparing reports, defining the agenda, recording decisions, and overseeing actions

Capital Programme Support Officer

- Supports the Capital Hub and management of the Capital Programme, which comprises the portfolio of capital projects and pipeline
- Develops and manages standardised tools and templates to be deployed across the governance structure including Capital Internal Control Board, Corporate Management Team, Mayor & Cabinet and Full Council
- Supports the compiling of reporting information to provide a central view of the Capital Programme, incorporating performance data from each Capital Programme Board, and supporting the coordination of appropriate escalations
- Supports with the provision of resource and technologies and the management of processes and approach to successfully deliver Capital Programmes and projects
- Supports and facilitates the capital governance framework, including providing advice and guidance to staff
- Supporting the administration of the Capital Internal Control Board, in terms of minute taking, scheduling, and other key tasks

Responsibilities: Capital Finance Team

A Capital Finance Team's typical responsibilities include Capital and Investment Strategy, Capital Financing and Reporting. We have set out the responsibilities for four key team members: the Head of Financial Strategy, Finance Business Partner, Corporate Accountant Capital, and Capital Programme Accountant below.

Capital and Investment Strategy	Contributing to the annual development of the capital and investment strategy and capital and budget planning, working closely with the Capital Hub and Capital Programme Boards.
Capital Financing	Estimating the capital resources LBC will have as part of the development of the ten year capital and investment strategy, allocating resources against schemes and making recommendations on how to fill any funding gaps e.g. borrowing.
Reporting	Statutory reporting on the overall financial position of the Capital Programme and the financial position for particular schemes, and non-statutory reporting for internal/member monitoring of the capital finance position.

Head of Financial Strategy

- Provides strategic management to ensure the delivery of comprehensive financial planning, including the management of risks and opportunities to the financing of the LBC's services, and priorities and desired outcomes for the short, medium and long term
- Responsible for the coordination of the Financial Strategy as part of the overall Budget and Business Planning process
- Strategic finance lead in the development and delivery of the capital and investment strategies, ensuring the revenue consequences of these are accounted for in the process
- Oversees and reviews the delivery of accurate and timely reports to the Capital Internal Control Board, Corporate Management Team, Mayor & Cabinet and Full Council
- Attends the Capital Internal Control Board when required, in an advisory capacity

Finance Business Partner

- Provides strategic financial and commercial advice as an integral part of the Directorate Leadership Team and Capital Programme Board
- Contributes to the development of the capital and investment strategy and annual Capital Programme as part of annual budget and medium term financial planning
- Collaborates with teams delivering capital projects as trusted advisors around high impact budgets, helping to monitor business performance and analysing financial management information to provide value added insight
- Reviews, provides advice and challenge on business cases, and undertakes modelling and analysis to support the development of business cases
- Provides operational support to teams delivering capital projects to provide assurance for day-to-day financial management performance, including providing check and challenge for operational metrics, and 'joining the dots' with service performance metrics. Flags any issues, investigating and resolving or escalating where necessary
- Engages with the Capital Finance Team and Capital Hub to contribute to central reporting to the Capital Internal Control Board, Corporate Management Team, Mayor & Cabinet, and Full Council

Responsibilities: Capital Finance Team cont.

The Corporate Accountant - Capital and Capital Programme Account roles support the Head of Corporate Finance in the development and monitoring of the financial strategy and capital and investment strategy and performance framework, develop and update the Council's Medium Term Financial Plan, and produce timely and accurate financial monitoring and outturn reports.

Corporate Accountant - Capital

- Contributes to the annual capital budget setting process as part of the annual capital and revenue budget planning process. This includes conducting financial appraisal and financing options for investment opportunities in accordance with the investment strategy, and monitoring the availability of capital finance including grant funding and the use of capital reserves
- Ensures that the financial implications of business cases and project appraisals are discharged effectively, and advises on the capital financing strategy and most effective use of capital resources
- Works with each Capital Programme Lead and the Capital Hub to consolidate and produce performance reports for the Capital Internal Control Board, Corporate Management Team, Mayoral & Cabinet, and Full Council, providing commentary where required. Ensures the latest capital programme is reflected on SAP BPC for project managers to forecast against
- Supports the management of the Director of Finance's operational responsibilities as Accountable Officer
- Creates finance returns to government, including capital estimates return (budget) created once a year, and a quarterly CPR report to show what has been spent in comparison to the estimates (to highlight any variances)

Capital Programme Accountant

- Works alongside the Corporate Accountant for Capital and other key stakeholders to support the annual capital budget setting process as part of the annual capital and revenue budget planning process. This includes assessing the financial and funding implications of new schemes and changes to the programme
- Provides a capital finance check of the capital programme financing and cash flow on a monthly basis and capital finance support year end by checking project costs and accruals are on IBC, checking funding, and balancing the capital programme
- Works with the Corporate Accountant for Capital and in consultation with the Finance Business Partnering Teams to develop the performance reports for the Capital Internal Control Board, Corporate Management Team, Mayor & Cabinet, and Full Council
- Monitors and reports on capital grant funding and developer contributions, including completing year end working papers

Responsibilities: Capital Programme Lead and Programme / Project Lead

The Capital Programme Lead and Programme / Project Lead responsibilities are set out below and are required to support the management of the associated Capital Programme Board. The Director overseeing each Capital Programme should identify who is best placed to support these activities as the Capital Programme Lead.

Capital Programme Lead

- Central coordinating role to collate and review metrics across the Capital Programme, and supporting the delivery of Capital Programme Board meetings
- Engages with Project Leads to ensure key reporting metrics are compiled into the monthly report for the Capital Programme Board
- Responsible for the management of the Capital Programme Board meeting, including:
 - Setting the agenda with the Chair
 - Identifying and managing administrative resources to support scheduling and minute taking
 - Tracking actions relating to the meeting
 - Compiling the actions, risks and issues, that need to be escalated from the Capital Programme Board, to the Capital Internal Control Board
- Engages with the Capital Programme Manager in the Capital Hub and the Capital Finance Team to share the relevant delivery and finance data from the Capital Programme Board to incorporate it into a central view of the Capital Programme
- Compiles and shares business cases and change request forms to the Capital Internal Control Board and Full Council for approval

Programme / Project Lead

- Responsible for day to day project delivery, ensuring it is delivered on time, to budget, and to the agreed scope and specification. This includes:
 - Reviewing progress against timeline, milestones, and activities
 - Identifying key risks and issues, developing mitigations, and escalating them where appropriate
 - Reviewing the project budget and spend, with support from the Finance Business Partnering team
 - Contract management of third party suppliers
- Responsible for drafting business cases and change requests, and escalate any key risks / issues to the Capital Programme Board
- Owning and managing a performance dashboard, and monitoring key metrics as part of project delivery
- Reviewing and updating the IBC with forecast data and supporting narrative
- Liaising with the Capital Programme Lead by providing the relevant project data, which will be collated for the Capital Programme Board monthly report
- Responsible for ensuring adherence to the financial regulations and contract procedure rules

Responsibilities: Service Involvement and Subject Matter Experts

Service Involvement and Subject Matter Expert responsibilities are set out below. These roles will support the strategic development and delivery of the Capital Programme. It is at the discretion of the Service and the team responsible for delivering the Capital Programme as to which specific individuals would support with these activities.

Service Involvement

It is at the discretion of the Service in terms of who they assign to support the key activities below.

- Identify service needs and requirements, which informs the development of the Capital Programme, and subsequent business cases.
- Review and sign-off business cases and change requests. This is likely to require Deputy Director / Director level sign off.
- Oversee the performance of capital projects as representatives of the Service at project boards.
- As the representatives of the Service at project boards, they:
 - Review timeline and milestones, project budget and spend, and are consulted on mitigating actions to minimise the likelihood of variations in time, scope, and budget
 - Review risks and issues, and are consulted on mitigating actions and decisions to escalate to the Capital Programme Board
 - Agree any variations in time, scope, or budget

Subject Matter Experts - SME

As part of the scoping, planning, and delivery of the Capital Programme, there will be a requirement to involve subject matter experts from Procurement, Contract Management, and Legal. Below is an overview of where their advice and expertise will be required.

- Development of the Capital Programme - strategic input from Procurement and Contract Management will be beneficial to inform the development of the Capital Programme.
- Business case development - the Procurement and Contract Management team should provide guidance around the commercial approach and routes, which will need to be defined in the business case. Any legal considerations and related risks should also be reviewed by the Legal team.
- Project Board and Capital Programme Board - representation from subject matter experts from Procurement and Contract Management, and the Legal team may be required depending on the agenda for the boards, and whether there are key issues that need to be discussed that would warrant their input.

Indicative Tools & Templates - Business Case Framework

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Business Case Framework: core templates

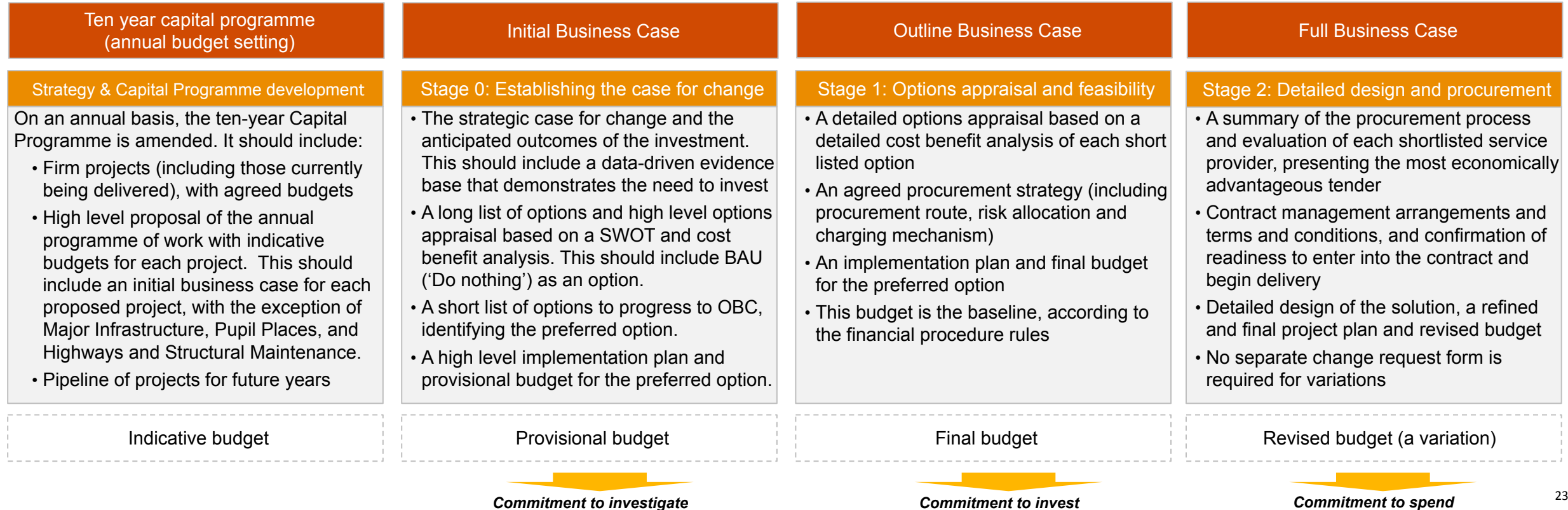
An overview of the core templates that can be used as part of the scoping and delivery of a capital project is provided below.

Tool / Template Name	Overview	What Stage is This Tool Used At?
Initial Business Case (IBC)	The IBC is where the 5 business case model will be developed, and sets out the case for change and a long list of options. Sign off demonstrates a commitment to investigate .	Stage 0: Establishing the case for change
Outline Business Case (OBC)	The OBC builds upon the IBC as it now includes a robust options appraisal, and sign-off demonstrates a commitment to invest . As a first step, the IBC should be revisited and there should be confirmation that information still remains valid.	Stage 1: Options appraisal and feasibility
Full Business Case (FBC)	The FBC builds upon the OBC as it now includes a detailed design and implementation plan, and sign-off demonstrates a commitment to spend . As a first step, the OBC should be revisited and there should be confirmation that information still remains valid.	Stage 2: Detailed design and procurement
Change Request Form	Change request forms will be required to be completed by the Project Lead if there is any type of Change needed on the project. Types of changes could include budget, resource or timelines adjustments.	Stage 3: Project delivery
Project Closure Report	This is the final document that needs to be completed as part of a project/programme. It is where an overview of the work is given, performance assessment undertaken, lessons learnt documented, and any transfer of documents is agreed.	Stage 4: Project closure

Business Case Framework: overview

An overview of the three business cases articulated within HM Treasury's Green Book is set out below. Each business case comprises five dimensions and builds up at an additional level of detail and granularity as the business case progresses.

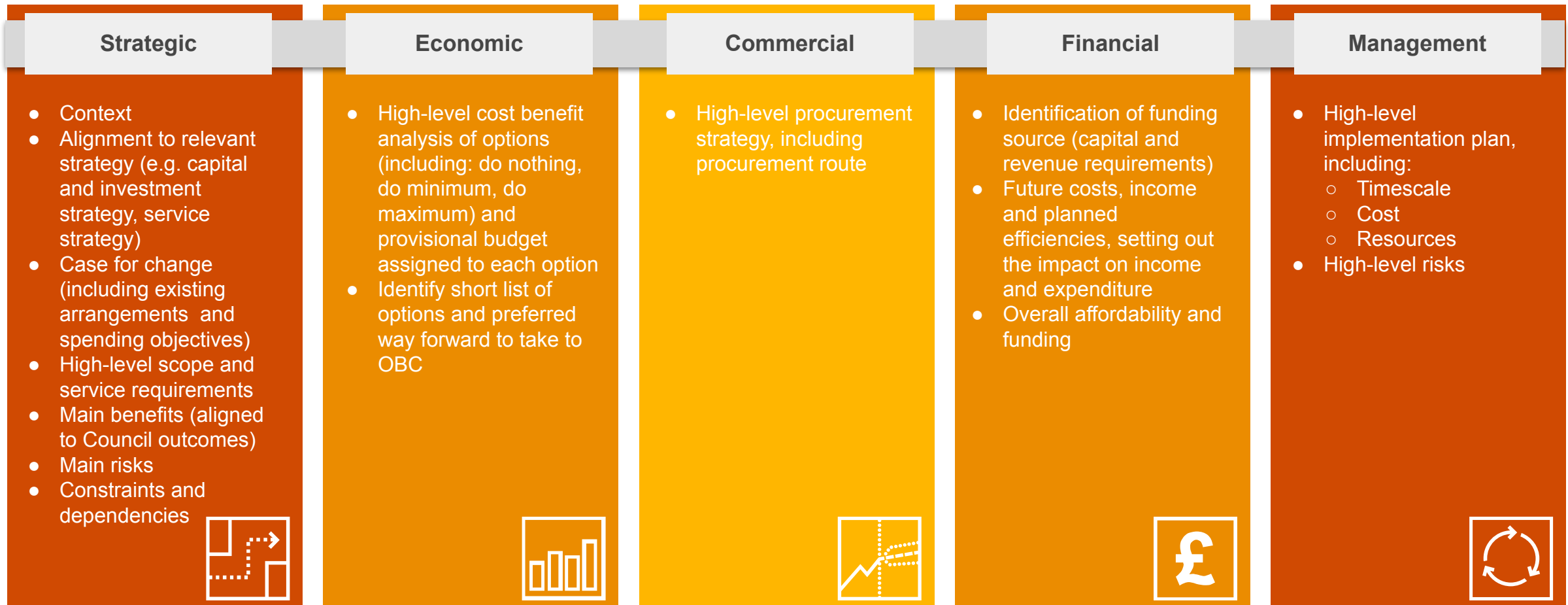
- Strategic:** what is the case for change, including the rationale for intervention? What is the current situation? What is to be done? What outcomes are expected? How is this aligned to the wider council outcomes and capital and investment strategy?
- Economic:** what is the net value (including social value) of the intervention compared to continuing with BAU? What are the risks and their costs, and how are they best managed? Which option reflects the optimal net value (based on a cost / benefit analysis)?
- Commercial:** can a realistic and credible commercial deal be struck? What is the commercial strategy? Who will manage which risks?
- Financial case:** what are the funding sources for this project? What is the impact on the budget in terms of both capital and revenue?
- Management case:** are there realistic and robust delivery plans? How can the proposal be delivered?



Initial Business Case (or Strategic Outline Case)

The Initial Business Case (or Strategic Outline Case) will precede the Outline Business Case. This is the first stage where the 5 business case model will be developed, and sets out the case for change and a long list of options. Sign-off demonstrates a **commitment to investigate**.

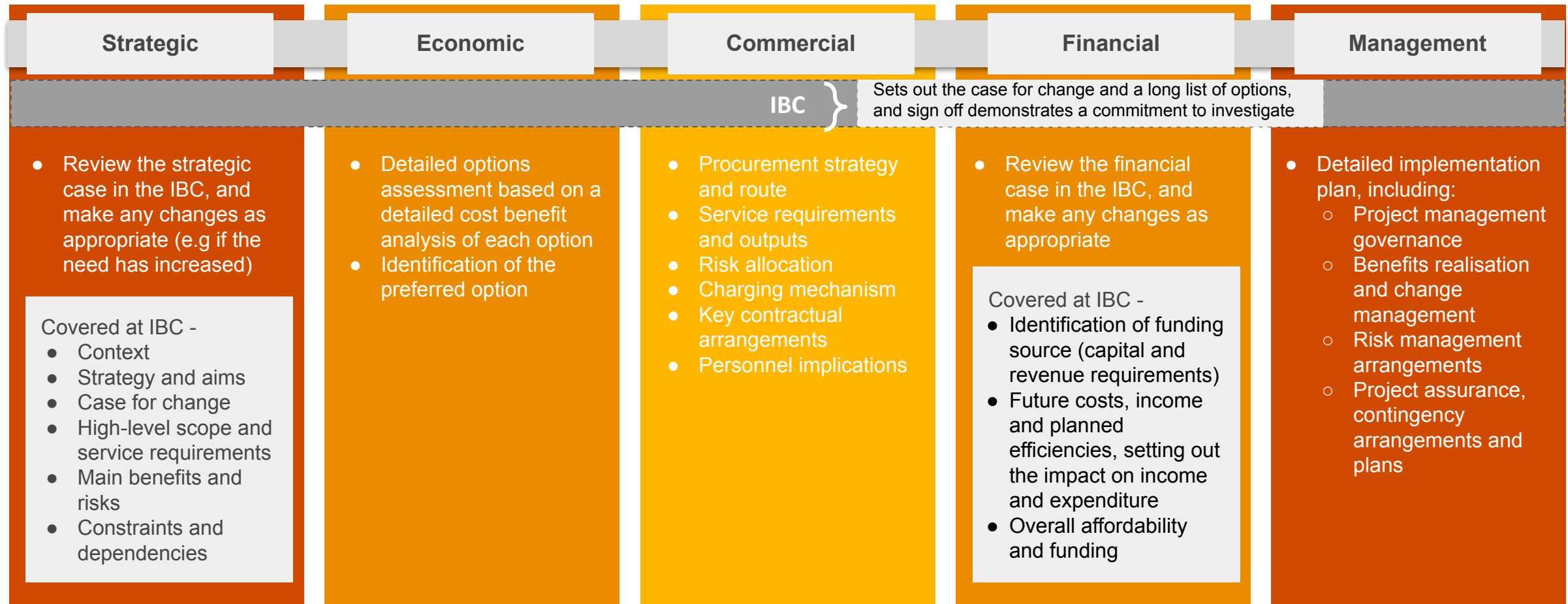
The areas to be included at the IBC stage, within each of the 5 business cases, are:



Outline Business Case

The Outline Business Case (OBC) will come after the Initial Business Case (IBC) and precede the Full Business Case (FBC). The OBC builds upon the IBC as it now includes a robust options appraisal, and sign-off demonstrates a **commitment to invest**. As a first step, the IBC should be revisited and there should be confirmation that information still remains valid.

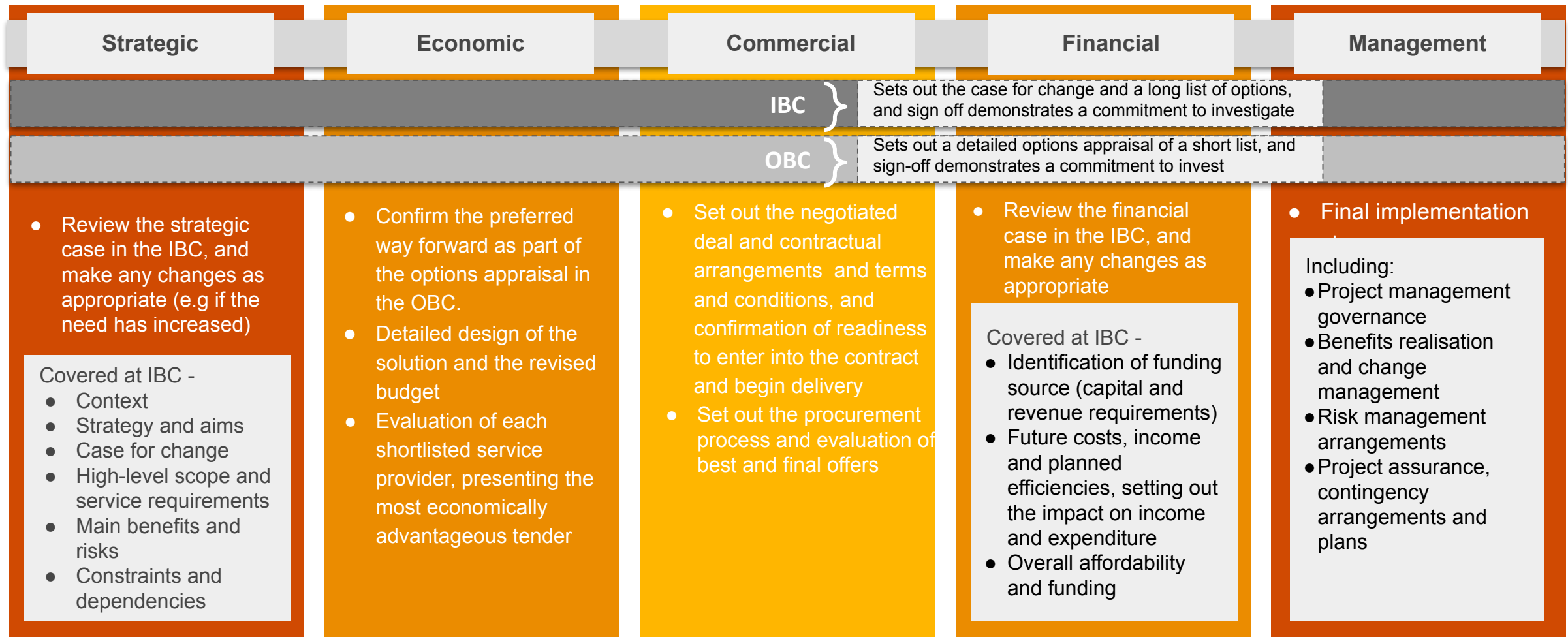
The areas to be included at the OBC stage, within each of the 5 business cases, are:



Full Business Case

The Full Business Case (FBC) will come after the Outline Business Case (IBC) and is the final business case that needs to be produced. The FBC builds upon the OBC as it now includes a detailed design and implementation plan, and sign-off demonstrates a **commitment to spend**. As a first step, the OBC should be revisited and there should be confirmation that information still remains valid.

The areas to be included at the FBC stage, within each of the 5 business cases, are:

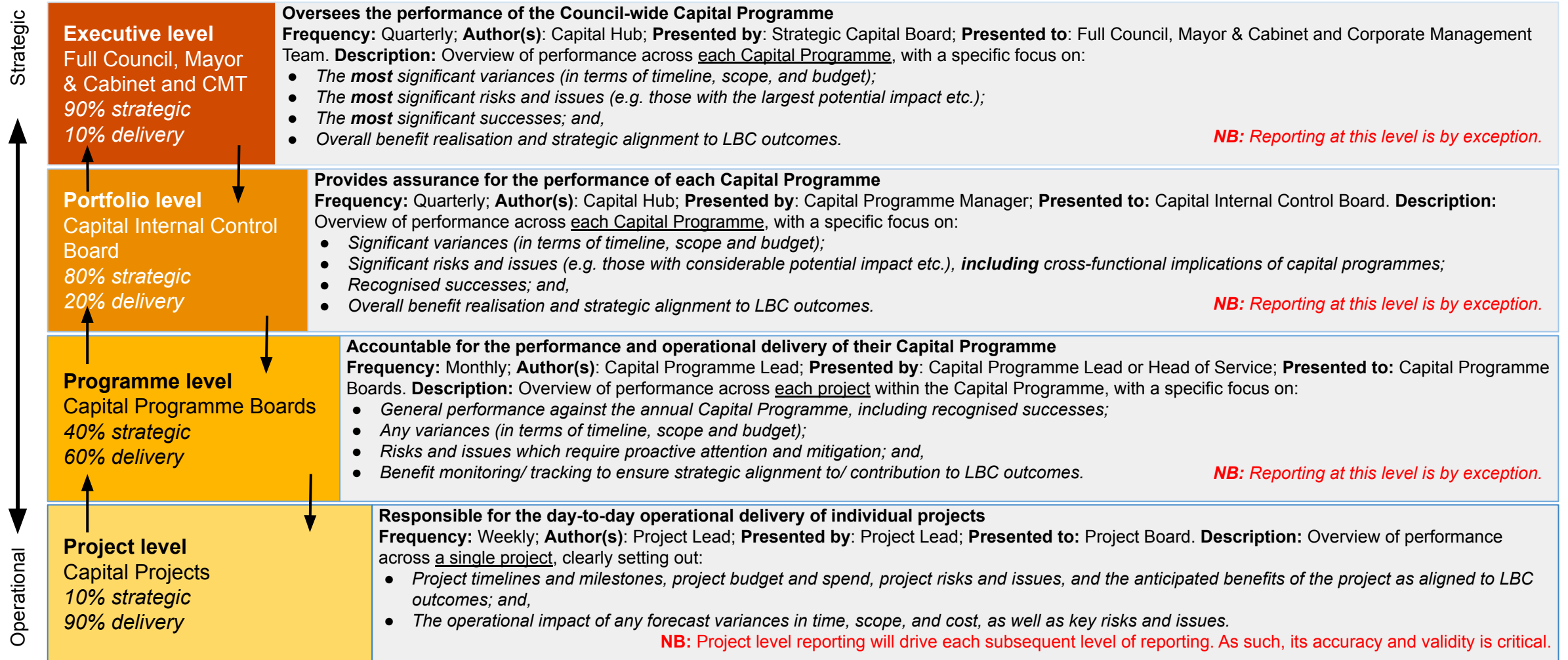


Indicative Tools & Templates - Reporting Framework

8

Reporting Framework: overview

A standardised and consistent reporting approach for Capital Programmes is a critical element within good capital governance. It will make it quicker and easier to: a) identify performance issues; b) make informed decisions, and c) consistently communicate key messages both up and down the reporting chain. At each of the four reporting levels shown in this framework, the content of reporting should cover four key metric categories: timeline and delivery, finances, risks, and benefits.



Reporting Framework: exception reporting & escalation approach

A range project level KPIs should be developed and **drive each subsequent level of reporting**. As such, it is important to define a clear **escalation approach** which outlines the aspects of project level reporting which should be **rolled up** to programme, portfolio and/ or executive level.

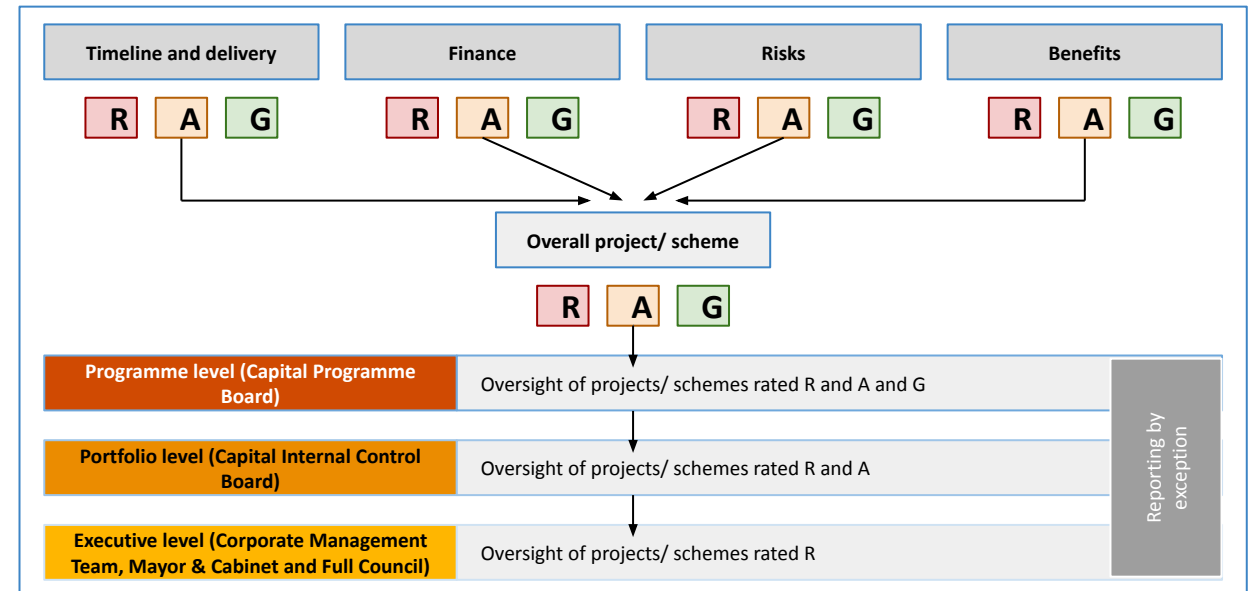
At project level, each metric category should be given a RAG status:

- For the **timeline and delivery category**, the overall RAG status of the category should be based on the **% of milestones which are behind schedule**. If 0 - 10% of milestones are behind schedule, the overall RAG status of the category should be Green. If 11 - 24% of milestones are behind schedule, the overall RAG status of the category should be Amber. If 25% + of milestones are behind schedule, the overall RAG status of the category should be Red.
- For the **finance category**, the overall RAG status of the category should be based on the **variance (%) between the total spend to date (actuals) and the expected spend to date (forecast)**. If this variance is between 0 - 10%, the overall RAG status of the category should be Green. If this variance is between 11 - 24%, the overall RAG status of the category should be Amber. If this variance is 25%+, the overall RAG status of the category should be Red. **NB: If the contingency allocation of the budget is used, this should automatically be escalated.**
- For the **risk category**, the overall RAG status of the category should be the **same as the highest rated risk**. For example, if the highest rated risk is 'Low' then the overall RAG status of the category should be Green. If the highest rated risk is 'Moderate' then the overall RAG status of the category should be Amber. If the highest rated risk is 'High' then the overall RAG status of the category should be Red. Additionally to this, all risks should be escalated in line with the Council-wide approach to risk; e.g. strategic risks should be escalated to SLT for review and those deemed necessary should be added to the strategic risk register.
- For the **benefits category**, the overall RAG status of the category should be based on the **% of benefits which are behind schedule**. If 0 - 10% of benefits are behind schedule, the overall RAG status of the category should be Green. If 11 - 24% of benefits are behind schedule, the overall RAG status of the category should be Amber. If 25% + of benefits are behind schedule, the overall RAG status of the category should be Red. **NB: Project Leads should make a judgement as to whether or not a benefit is behind schedule, based on the overall performance of the project (e.g. milestone slippage or scope reduction due to budget constraints).**

Once the RAG status for each metric category has been determined, the overall RAG status for the project should be calculated. **The overall RAG status for the project should be the same as the highest RAG status for any of the individual categories.** For example, if a project is rated Red in finance, Amber in risk and issues, and Green in timeline and delivery as well as benefits and outcomes, then the overall RAG status for the project should be Red.

The Capital Programme Board will review all projects regardless of their overall RAG status. The Capital Internal Control Board will only review projects rated Red or Amber. Corporate Management Team, Mayor & Cabinet and Full Council will only review Projects rated Red.

Metrics for each of the four metric categories should be outlined for each reporting level. Indicative KPI's for each of the four reporting categories are set out on the next slide.



Reporting Framework: Capital Project level metrics

At the level of Capital Projects, reporting should include the metrics outlined below. Where necessary, these metrics should be accompanied by qualitative commentary to provide further insights, for example to highlight successes.

Metric Categories	Metrics
Overview	<ul style="list-style-type: none"> ● Overall RAG - The overall RAG status for the project (for both the current and previous reporting periods) ● Metric category RAG - The individual RAG status for each of the four reporting metric categories within the project (for both the current and previous reporting periods) ● Climate and Equality RAG - The climate RAG status <i>and</i> the equality RAG status for the project (for both the current and previous reporting periods)
Timeline and delivery	<ul style="list-style-type: none"> ● Total milestones - Total number of milestones within the project ● Milestone delivery status - Total number and % of milestones within the project which are delivered/ undelivered to date ● Milestones achieved in last reporting period - Total number of milestones within the project delivered in the last reporting period ● Milestones due in next reporting period - Total number of milestones within the project due to be delivered in the next reporting period ● Milestone schedule status - Total number and % of undelivered milestones within the project which are ahead of schedule, on schedule or behind schedule ● Milestone delivery vs. budget expenditure - Total number and % of milestones within the project delivered vs. the total amount and % of the project budget spent ● Milestone slippage - Total slippage of delivered <i>and</i> undelivered milestones within the project which are behind schedule (measuring the variance (in weeks) between the target delivery date vs. the actual delivery date (if delivered) or the forecast delivery date (if undelivered))
Finance	<ul style="list-style-type: none"> ● Overall <i>and</i> annual financial performance - Total budget vs. forecast vs. actuals, <i>and</i> annual budget vs. forecast vs. actuals ● Forecast vs. actuals - Actual spend of the project to date vs. the forecasted spend of the project to date, displayed month-on-month and cumulatively ● Budget variations - Variations to the project's baseline budget throughout the project's lifetime (measuring variances between the baseline budget, previous budgets and the current budget) ● Funding - Total amount and % of funding secured for the project vs. the total amount and % of funding still required ● Funding sources - Total amount and % of funding secured for the project from different funding sources ● Contingency usage - Total amount and % of contingency funds used to date vs. the total amount and % of contingency funds remaining ● Milestone delivery vs. budget expenditure - <i>*Repeated metric from the timeline and delivery reporting category</i>
Risks	<ul style="list-style-type: none"> ● Total risks/ issues - Total number of risks/ issues within the project, categorised into different risk/ issue types ● Total risks/ issues by rating - Total number of risks/ issues within the project rated High, Moderate and Low ● Risks/ issues due in next reporting period - Total number of risks/ issues within the project due to be closed in the next reporting period ● Contingency usage - <i>*Repeated metric from the finance reporting category</i> ● Mitigations - Mitigating actions for each risk/ issue within the project, along with their target closure dates
Benefits	<ul style="list-style-type: none"> ● Total benefits - Total number of benefits due to be delivered by the project ● Benefit delivery status - Total number and % of benefits within the project which are delivered/ undelivered to date ● Benefit schedule status - Total number and % of undelivered benefits within the project which are ahead of schedule, on schedule or behind schedule ● Benchmarking - Benchmarking data for each benefit indicating the LBC baseline, the LBC target, and the benchmark indicator from elsewhere ● Benefit slippage - Total slippage of delivered <i>and</i> undelivered benefits within the project which are behind schedule (measuring the variance (in weeks) between the target delivery date vs. the actual delivery date (if delivered) or the forecast delivery date (if undelivered))

Appendices



Appendix A: Stakeholder interviews

Name	Position	Date of interview
Alan Layton *	Interim Finance Professional	21/11/2022 - Mobilisation session
Bridget Adjei	Acting Up Finance Manager for Finance, Investment & Risk	06/12/2022
Steve Wingrave	Interim Head of Estates, Asset Management and Facilities	07/12/2022
Reece Bowman	PMO Capital Board Lead	08/12/2022
Matthew Hallett	Head of Treasury and Pensions	08/12/2022
Nish Popat	Interim Head of Corporate Finance	09/12/2022, 22/12/2022
Nick Hibbard	Corporate Director for Sustainable Communities, Regeneration & Economic Recovery	15/12/2022
Jane West	Corporate Director of Resources	15/12/2022, 19/12/2022

* Weekly progress meetings held with Alan Layton throughout the duration of the project

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If you receive a request under freedom of information legislation to disclose any information we provided to you, you will consult with us promptly before any disclosure.

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