



ORKNEY
ISLANDS COUNCIL

Item: 7

Policy and Resources Committee: 27 November 2024.

Capital Project Appraisal – Procedure.

**Joint Report by Corporate Director for Enterprise and Sustainable
Regeneration and Corporate Director for Neighbourhood Services and
Infrastructure.**

1. Overview

- 1.1. The Capital Project Appraisal (CPA) process applies to all capital projects, capital expenditure commitments and discretionary schemes of financial assistance to external bodies, which meet the definition of capital expenditure as contained within the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority Scotland Accounts Advisory Committee (LASAAC) Statement of Recommended Practice (SORP).
- 1.2. The Capital Project Appraisal Procedure sets out general guidance for the CPA process and the management of capital projects, and defines the roles and responsibilities of key stakeholders.
- 1.3. The CPA process seeks to ensure governance and compliance around the development and delivery of capital projects undertaken by the Council by examining the project at key decision points (stages) over the project lifecycle and looking ahead to provide assurance that they can progress successfully through the stages.
- 1.4. The Capital Project Appraisal Procedures, which were last approved in June 2009 and updated in January 2018, have been completely revised to ensure that capital projects put forward for consideration to be developed and approved for delivery are supported by key stakeholders, follow appropriate governance, obtain necessary approvals and directly contribute to the delivery of strategic corporate priorities as outlined in the Council Plan and Delivery Plan.

2. Recommendations

2.1. It is recommended that members of the Committee:

- i. Approve the revised Capital Project Appraisal Procedure, attached as Appendix 1 to this report.

For Further Information please contact:

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Implications of Report

1. **Financial** The Financial Regulations state that approval by the Council of the Capital Programme constitutes approval of the individual projects or provisions contained therein. Corporate Directors can incur expenditure within approved revenue and capital budgets. Such expenditure must be in accordance with the Council's policies and objectives and subject to compliance with the Financial Regulations.
2. **Legal** There are no direct legal implications arising from the recommendation in this report.
3. **Corporate Governance** A CPA procedure is a key component to demonstrate effective Corporate Governance.
4. **Human Resources** N/A
5. **Equalities** N/A
6. **Island Communities Impact** N/A
7. **Links to Council Plan** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - Growing our economy.
 - Strengthening our communities.
 - Developing our Infrastructure.
 - Transforming our Council.
8. **Links to Local Outcomes Improvement Plan** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - Cost of Living.
 - Sustainable Development.
 - Local Equality.
9. **Environmental and Climate Risk** Where resources allow, improvement works can include 'greener' solutions.
10. **Risk** Improvement of existing assets can help reduce risks associated with these assets.

- 11. Procurement** Any contractual arrangements require to comply with the Financial Regulations and Contract Standing Orders.
- 12. Health and Safety** Well-maintained assets will assist the Council in complying with relevant Health and Safety requirements for both staff and the public.
- 13. Property and Assets** N/a
- 14. Information Technology** N/a
- 15. Cost of Living** N/A

List of Background Papers

None

Appendices

Appendix 1 – Capital Project Appraisal – Procedure

Appendix 2 – Capital Project Appraisal Procedure - Flowchart



Capital Project Appraisal (CPA)

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Version 2.0 November 2024

Version Control

Version	Name	Title	Date
1.0	Colin Kemp	Head of Finance	January 2018
2.0	Erik Knight	Head of Finance	November 2024

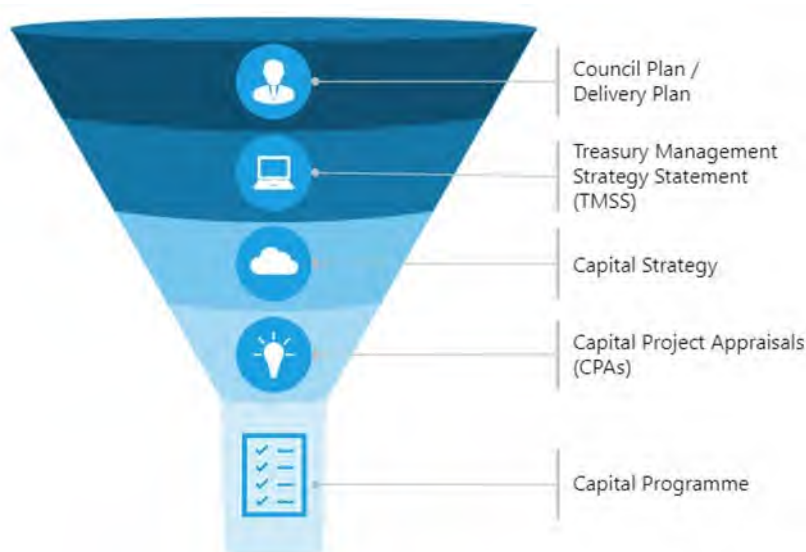
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1. Introduction

This document sets out the Capital Project Appraisal (CPA) process that must be followed from the initial development of proposals right through to delivery and completion of approved projects on the council's Capital Programme to ensure governance and compliance for all capital projects undertaken by Orkney Islands Council.

The process builds upon requirements from other established Orkney Islands Council regulations, plans, strategies, and procedures.



The CPA process examines capital projects at key decision points in their development lifecycle and looks ahead to provide assurance that they can progress successfully to the next stage. The objective of the CPA process is to ensure that capital projects put forward for consideration to be developed and approved for delivery are supported by key stakeholders, follow appropriate governance, obtain necessary approvals and directly contribute to the delivery of strategic corporate priorities as outlined in the Council Plan and Delivery Plan.

Once a capital project requirement has been identified and proposed for initial development by a Service, the proposal will pass through a number of stages depending on the value, complexity, and risk of the project.

It is important to recognise that no written process can provide everything a successful project needs to have. Consequently, this document is not intended to cover all project management principles and therefore should sit alongside relevant training, awareness, and use of best practice project management process-based methodologies e.g. PRINCE2; it is insufficient by itself to enable inexperienced officers to properly set up and run capital projects.

2. Roles and Responsibilities

2.1. Capital Programme Board

Membership consists of the Corporate Leadership Team (CLT), the Head of Finance, the Head of Property, Asset Management and Facilities and any other officers, as and when required, to represent the Board depending on the nature of the matter under consideration at the time. It is chaired by the Chief Executive and the remit of the Capital Programme Board is:

- executive ownership of the CPA process and Capital Programme.
- to review, approve or reject proposals for capital projects from Services and determine the appropriate development budget(s) and governance route(s) through the CPA process.
- to evaluate capital project proposals at CPA Stages 0 - 2 and make recommendations on project prioritisation when the number of project proposals being brought forward exceeds existing budgets or resources.
- to make approval recommendations to Committees on capital project proposals to proceed to the next applicable CPA stage.
- to review, approve or reject change requests (issue reports) from Project Sponsors to vary the scope or nature of the project or incur additional expenditure out with approved budget provisions, and form a view on the governance arrangements and decide whether it still meets the Council's objectives and provisions established in the Capital Programme.
- to make recommendations to Policy and Resources Committee on requests for changes to existing capital projects on the Capital Programme, beyond delegated authority limits, to be included in the Capital Programme.
- to make recommendations to Policy and Resources Committee to redeploy relevant Capital Programme provisions, to address capital slippage, where no contractual commitment exists or will be made in the current financial year for approved capital projects.
- to review quarterly reports from the Capital Programme Team to scrutinise performance of the Capital Programme, including any project issues or risks raised by Project Sponsors.
- to ensure the allocation of staff resources and setting priorities for Capital Programme management activities.
- to regularly review the existing Capital Strategy, CPA process, and any other governance arrangements to ensure they are still delivering the needs of the Council; and
- to consider other relevant matters and provide advice relating to the CPA process and the Capital Programme which may be referred to it by the Capital Programme Team, Project Sponsors, and/or Council Committees.

2.2. Capital Programme Team

Membership consists of the Service Manager (Corporate Finance), the Team Manager (Corporate Finance), the Service Manager (Property and Capital Programme), and the Capital Programme Officer. The remit of the Capital Programme Team is:

- to establish, maintain and improve the necessary strategies, core processes and tools to manage, monitor and report on the CPA process and the Capital Programme.
- to ensure the strategic planning and coordination of the CPA process and Capital Programme. This includes governance and compliance monitoring, financial monitoring, issue and risk monitoring, and performance evaluation.
- to be the first point of contact to Services, Project Sponsors and Project Teams to provide advice and support, where appropriate, on governance, processes, monitoring, and reporting requirements, and to recommend best practice project management process-based methodologies and tools.
- to advise which elements and activities of expenditure are classified as capital or revenue.
- to ensure that capital project proposals developed through the CPA process and capital projects delivered on the Capital Programme are adequately resourced at all stages and well-coordinated by Project Teams, including the active monitoring, management and escalation of issues, risks and changes by Project Teams, to ensure they are delivered on time, on budget and to the approved outcomes.
- to ensure that the Project Sponsor / Project Team actively monitor issues, risks, and changes, and these are, where appropriate, escalated up to the Capital Programme Board.
- to ensure liaison and communications are working effectively between the Project Sponsor / Project Team and the Capital Programme Board; and
- to ensure change control is being dealt with correctly by the Project Sponsor / Project Team and change requests (issue reports) are escalated to the Capital Programme Board and, where appropriate, the relevant Council Committees.

2.3. Capital Programme Advisory Board

Membership consists of the Chairs and Vice Chairs of the Service committees, currently Education, Leisure and Housing Committee, and Development and Infrastructure Committee and Policy and Resources Committee, the Chair or Vice Chair of the Integration Joint Board (whichever is the Council appointment), the Capital Programme Team and Project Sponsors of capital projects on the Capital Programme. It is chaired by the Leader (as Chair of the Policy and Resources Committee) and the remit of the Programme Advisory Board is:

- to meet on a six-monthly basis and provide an informal forum for members to have oversight and comment on matters concerning the Capital Programme where these are necessary and appropriate to address out with the formal Committee process.
- to provide members with overall progress on the Capital Programme, and any project issues and risks where these are necessary and appropriate to address out with the formal Committee process.
- to provide guidance to members regarding the CPA process; and

- to provide members with any proposed changes and developments in the Capital Programme including re-profiling of financial and project phasing matters where this is appropriate within the terms of the Capital Programme.

2.4. Project Team

The Project Team is the team of professionals brought together by the Project Sponsor to directly support the development of capital project proposals through the CPA process and deliver capital projects on the Capital Programme. Individuals may remain members of the Project Team for the whole duration of the project or may alternatively join the team to deliver specific pieces of work.

The roles and responsibilities of individual Project Team members may vary depending on the type, scale and stage of the project being undertaken, but as a minimum they must include a **Project Sponsor**, **Project Manager**, **Senior User** and **Senior Supplier**.

2.5. Project Sponsor

The Project Sponsor is a senior officer (typically a Head of Service) from within the sponsoring Service who will have overall responsibility and accountability, including for the Project Team, for the entire lifecycle of the capital project. The remit of the Project Sponsor is:

- to be accountable to the sponsoring Service, Capital Programme Team and Capital Programme Board for the performance, monitoring and reporting of the development and delivery of the project and compliance with the CPA process.
- to lead the development and produce all reports and supporting documentation required for the various CPA stages.
- to present required evidence to the Capital Programme Board and Council Committees to assist with evaluating the capital project proposal and deciding whether it should be developed through the CPA process or included in the Capital Programme.
- to ensure when external funding opportunities are identified that a 'Grant Authorisation Form' is completed in the first instance and submitted to the Head of Finance for prior approval. This is in accordance with the Council's Financial Regulations where the Head of Finance's consent or authority is required prior to submitting any application to a third party for external funding.
- to ensure a Project Team is established from the outset and the team has sufficient professional, experienced, and skilled resources, as and when needed at the various stages and for the full lifecycle of the project.
- to support the overall aims and objectives of the project by undertaking a proactive leadership role in the Project Team by being a key decision maker and acting as the first point of contact with the Project Manager for all project related issues.
- to ensure that any external funding opportunities, including full funding expectations, requirements, and conditions, pre-approved by the Head of Finance, subsequently

awarded to the project are shared with Corporate Finance and the Project Team to ensure funding compliance and submitting claims. Project Team resources should be considered for grant funding expectations, requirements, and conditions to ensure they are met.

- to represent the views of the sponsoring Service to the Project Manager and Project Team and perform a key role in issues resolution, and as mentor to the Project Manager.
- to resolve any conflicts among the Project Team members if the Project Manager cannot.
- to ensure any issues and risks are raised immediately with the Capital Programme Team, and escalated to the Capital Programme Board if required, for their direction and support.
- to ensure any change requests (issue reports) to vary the scope or nature of the project or incur expenditure out with approved budget provisions are immediately reported to the Capital Programme Board and, if appropriate the Policy and Resources Committee for approval prior to any commitment being made.
- to ensure where capital slippage in the project is identified this is raised immediately with the Capital Programme Team for reporting delays and revised timescales to the Capital Programme Board and, if appropriate the Policy and Resources Committee.
- to provide regular monitoring reports to the Capital Programme Team on project progress and performance and give obvious reasons for any changes to the programme, cost, or scope of the project.
- to provide quarterly monitoring reports required from Corporate Finance and the Capital Programme Team for the Capital Programme Board and the Policy and Resources Committee; and
- to produce post project completion reviews at the end of the project to determine how successful the project delivery has been, capturing lessons learned and making any recommendations for the future.

2.6. Project Manager

The Project Manager (typically a Service Manager) is the person given authority and responsibility, as agreed with the Project Sponsor, for the day-to-day management and ensuring delivery of the capital project's objectives to the approved plan, cost, scope, and quality. The remit of the Project Manager is:

- being accountable to the Project Sponsor for the overall compliance, progress, performance, monitoring, and reporting of the project ensuring objectives are delivered on time and within the budgets agreed with the Capital Programme Board and/or Committees.
- establishing and managing project procedures and project controls for monitoring and reporting by applying best practice project management process-based methodologies e.g. PRINCE2.

- responsible for leading and managing the established Project Team and flagging any team resource requirements or constraints to the Project Sponsor.
- planning, managing, and monitoring budgets and all expenditure of the project to ensure appropriate progress is achieved on the total budget.
- maintain a risk register to monitor and manage risks and ensure any are raised with the Project Sponsor and Capital Programme Team for their direction and support.
- to ensure any change requests (issue reports) to vary the scope or nature of the project or incur expenditure out with approved budget provisions are raised immediately with the Project Sponsor and Capital Programme Team for reporting overspends to the Capital Programme Board and, if appropriate, the Policy and Resources Committee for approval prior to any commitment being made.
- to ensure where capital slippage in the project is identified this is raised immediately with the Project Sponsor and Capital Programme Team for reporting delays and revised timescales to the Capital Programme Board and, if appropriate, the Policy and Resources Committee.
- to initiate corrective actions when needed or instructed.
- to resolve any conflicts among the Project Team members and escalate any to the Project Sponsor if they cannot be resolved.
- to be responsible, unless the Project Sponsor agrees to take on part of this role, for preparing all reports and leading the communications and consultations at each stage of the project, agreeing what is to be communicated to whom, by when and by what channels. This includes reports, communication and consultation required with the Capital Programme Team, Capital Programme Board, Committees, external funding partners and any other stakeholders to the project.
- producing regular highlight reports to the Project Sponsor and Capital Programme Team on project progress and performance and to report advise any potential problems or areas where the Capital Programme Board could help.
- to contribute to quarterly monitoring reports required from Corporate Finance and the Capital Programme Team for the Capital Programme Board and the Policy and Resources Committee; and
- to contribute to producing post project completion reviews at the end of the project to determine how successful the project delivery has been, capturing lessons learned and making any recommendations for the future.

2.7. Senior User

The Senior User is the person that represents those for whom the project will achieve an objective or those that will use the project outcome and to ensure that the benefits will be realised. The Senior User role can be one or more persons. The remit of the Senior User is:

- to specify the needs (requirements) of the end-users and ensure the project delivers the required quality expectations and desired outcomes, and expected benefits are realised.

- to consult with the Project Manager and Project Team to ensure the quality, functionality and ease-of use of the solution will meet the needs of the end-users and satisfy the project requirements.
- to resolve any conflicts between priorities and requirements of the Project Team and end-users.
- to ensure that resources from end-users are made available as and when required.
- to manage two-way communications with the Project Manager and Project Team, and end-users.
- to brief and advise end-users about the project; and
- to take part in and make recommendations for follow on actions.

2.8. Delivery Team

The Delivery Team are the persons responsible for designing, developing, procuring, constructing, and implementing the technical requirements. This is the same role as the 'Senior Supplier' role in PRINCE2 and can come from internal professional resources and/or external consultants. The role can be one or more persons, and the remit of the Delivery Team is:

- to assess and confirm the technical viability of the project approach.
- to advise on the selection of methods by which requirements are designed, procured, and delivered.
- to ensure that supplier selection and proposals are of quality and are realistic and value-for-money.
- to provide supplier resources to the project, consulting with external suppliers and contractors to ensure that the right people, tools, equipment, and technical knowledge are available when required.
- to be accountable for the quality of the services / works delivered by the suppliers / contractors.
- to resolve supplier / contractor requirements and priority conflicts.
- to undertake supplier assurance and delegate project assurance activities appropriately.
- to identify, and advise the Project Manager of, any issues, risks and changes associated with the technical aspects of the project.
- to assist the Project Manager to examine technical issues and risks; and
- to brief non-technical members of the Project Team, and others as appropriate, on technical aspects of the project.

2.9. Stakeholders

Stakeholders can be individuals or groups both internal and external to the Council that can be impacted upon by the project.

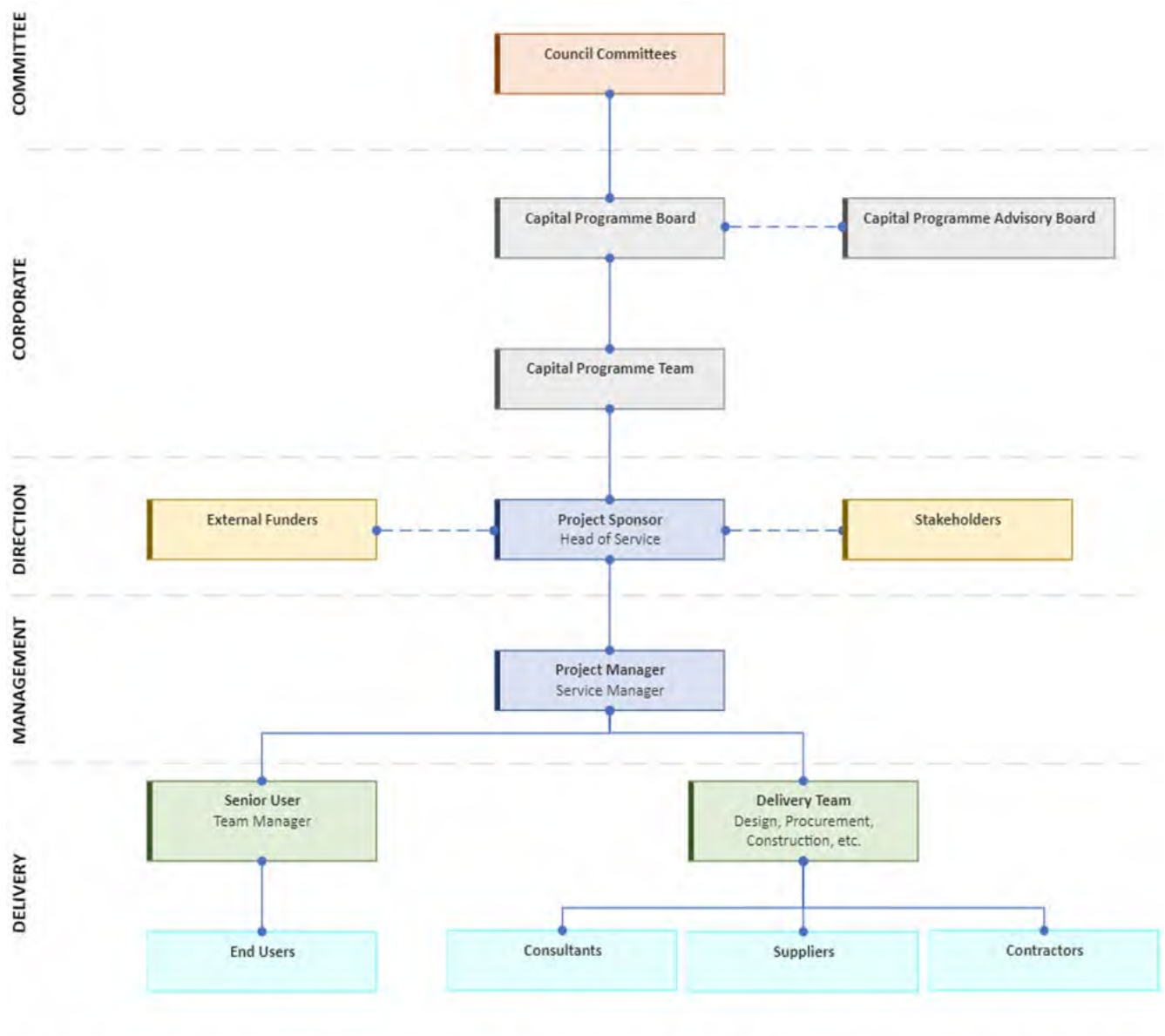
2.10. External Funders

External Funders are external bodies or organisations that have awarded grant funding to a capital project for its development and/or delivery. Grant awards will be accompanied with an agreed set of expectations, requirements and conditions that must be met by the project.

2.11. Project Team Diagram

A Project Team must be established by the Project Sponsor at the outset of the initial project development and updated during each CPA stage of the project to ensure that the team always has adequate professional, skilled, and experienced resources assigned with sufficient delivery capacity.

The diagram below covers the minimum roles and responsibilities and should be expanded upon depending on the nature, scale, and complexity of a project.



3. Overview of Capital Expenditure

The CPA process will apply to all capital projects, capital expenditure commitments and discretionary schemes of financial assistance to external bodies, which meet the following definition of capital expenditure as contained within the CIPFA/LASAAC Statement of Recommended Practice (SORP):

Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided the fixed asset yields benefit for a period of more than one year.

The main components of capital expenditure are:

- *Acquisition, reclamation, enhancement or laying out of land.*
 - *Acquisition, construction and improvement of buildings and civil engineering works.*
 - *Acquisition, replacement or renewal of major plant, equipment, machinery, vehicles and vessels.*
-

3.1. Expenditure Requirements

For expenditure to be considered improvement or enhancement, and count as capital in nature, **it must lengthen substantially the useful life of the asset, increase substantially the market value of the asset, or increase substantially the extent to which the asset can or will be used for the purpose of or in conjunction with the functions of the authority.**

Under this definition of 'improvement or enhancement,' improvement works, and structural repairs should be capitalised, whereas expenditure to ensure that the fixed asset maintains its previously assessed standard of performance should be treated as revenue expenditure.

The previously assessed standard of performance for an asset is based on the original condition of the asset when first recognised as a new build or upon acquisition, or alternatively when the last major upgrade or improvement works were subsequently carried out to the asset. This is an important distinction and should not be confused with the existing or current depreciated condition of the asset.

Capital expenditure also includes the design, build, and commissioning of a capital project through internal central support services and/or external consultants.

The following items of expenditure may be capital, but would normally be accounted for through the relevant support service **revenue** budgets:

- Staff costs and other staff costs including consultant fees should be re-charged to the relevant capital cost centres at the year-end through apportioned costs.

- Training, Travel and Subsistence costs should be re-charged to the relevant capital cost centres at the year-end through apportioned costs.
- Any operating costs which are annual or recurring.

Where officers are unsure as to whether their proposed expenditure on a project is capital or revenue, a basic guide to follow is:

- Expenditure of **less than £10,000** is considered to be de-minimis. Any expenditure or payments under this level is considered to be revenue in nature on the basis that expenditure under £10,000 is unlikely to substantially increase the useful life of an asset; substantially increase its market value; or substantially increase the extent to which an asset can be used.
- Low value fixed assets bought en-bloc can be considered as capital.
- The purchase of vehicles will generally be capital.
- Development of projects through early CPA Stages 0 - 1 are considered to be revenue in nature and cannot be recharged to the relevant capital cost centres at the year-end through apportioned costs if the Capital Programme Board or Committee decide not to progress the project any further.
- Any expenditure that does not represent an enhancement to improve performance or value of an existing fixed asset, but merely aims to maintain performance or value of the previously assessed standard should be charged to revenue; and
- Small items of plant and equipment that do not have a long life, and would be required to be replaced regularly, are regarded as revenue.

3.2. Land Requirements

Projects, which identify a requirement for additional land, can only be evaluated through the CPA process if the Head of Legal and Governance has provided a satisfactory statement on the arrangements to secure the additional land requirements. Ideally, this will include confirmation that the land has been secured and is now in Council ownership.

The value of any land requirement should be fully reflected in the project cost estimates for all CPAs, including internal land transfers where applicable. All land related risks should be identified at an early stage in the CPA process and will normally involve identifying statutory consultee requirements, including for example consideration of planning, historic building, and other environmental matters, and conducting site investigation and/or survey works.

4. Overview of Capital Programme

The Council's Capital Programme covers a rolling 5-year period, always beginning with the current financial year, with the individual capital projects that are to be delivered in the next 5-year period. The Capital Programme is reviewed annually (including any reprioritisation that may be required) by the Policy and Resources Committee, who then recommend it to the full Council for approval. The Capital Programme Board have executive ownership of the Capital Programme and responsibility to prepare the updated Capital Programme each year.

Approval of the Capital Programme by the full Council provides the authority for budget responsible officers (Project Sponsors) to incur capital expenditure, subject to any separate due-diligence and approvals being in place as required by the Council.

Given the long-term nature of fixed assets, it is suggested that the timeframe for the development of projects should in normal circumstances extend beyond that period with a clear focus on longer term planning i.e. 5 to 10 years as a minimum. For example, this would allow a longer lead-in time for projects to be developed through the CPA stages to improve the overall standard of the capital project appraisals and readiness to successfully deliver projects.

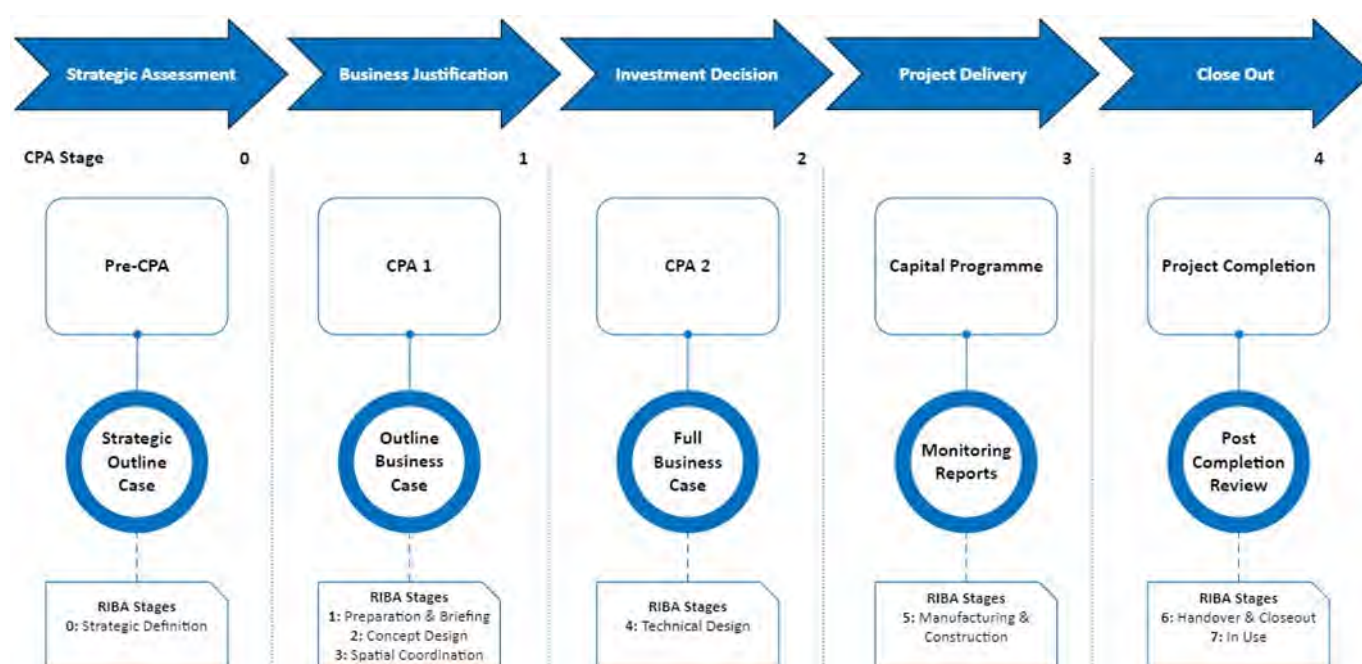
New projects should normally only be prioritised and approved for delivery on the Capital Programme for Year 3 and beyond. This is on the basis that the Capital Programme is typically fully committed over the short term and as a result there is often no or limited internal and external local resource capacity to accommodate additional projects in Years 1 and 2. There may be exceptions to this if sufficient internal and external local resource capacity is available or, a decision is made at Policy and Resources Committee to redeploy programme provisions, where no contractual commitment exists or will be made in the current financial year, to divert and reallocate resources to a new project by delaying or cancelling the delivery of any existing approved projects in Years 1 and 2.

In setting a Capital Programme the Council must ensure that its investment plans are affordable, prudent, and sustainable, having due regard to both the capital and associated revenue implications for each project. This is particularly important now that the level of loan charges support the Council receives from Scottish Government is diminishing, having been replaced with an annual general capital grant allocation. Going forward, this means that local authorities will be responsible for financing a greater proportion of their capital investment plans from within existing resources.

5. CPA Stages

The CPA process for capital projects is a five-stage process whereby the Council develops its plans for future capital expenditure on fixed assets and associated infrastructure to facilitate the delivery of Council services. A staged process is adopted to ensure consistency of approach as the Council's strategic plans are developed into a five-year rolling programme of capital works.

The number of applicable stages will depend on the project scale, risk, and complexity. However, underestimating the project scale, a lack of pre-planning or not following proper governance by sponsoring Services are not valid reasons for the 'exception' route for a project.



The Royal Institute of British Architects' (RIBA) Plan of Work organises the process of briefing, designing, constructing, and operating building projects into eight stages and explains the stage outcomes, core tasks and information exchanges required at each stage. The sequence or content of stages may vary or overlap to suit the procurement method.



The CPA process has the 'Five Case Model' as its core. The five aspects ('cases') of a project are evaluated or re-evaluated at each CPA stage in the development of the capital project. All five 'cases' must be addressed at CPA Stages 0 – 2, but the emphasis will change depending on the CPA stage in question. The diagram below provides an overview of the 'Five Case Model.'



Strategic Case

- **Strategic Fit** – how the requirement fits with the aims and priorities of the Council Plan and would deliver these objectives.
- **Compelling Case for Change** – a clear rationale for intervention and expected outcomes.

Economic Case

- **Choice** – a wide range of options have been appraised.
- **Preferred Option** – offers optimal value-for-money in relation to associated costs, benefits, dis-benefits, and risks.

Commercial Case

- **Procurement** – supply-chain can deliver requirements on an efficient market basis.
- **Potential Deal** – contractual arrangements for specified goods and services.

Financial Case

- **Affordability** – robust and realistic capital and revenue costs over the lifespan of the investment.
- **Funding** – agreed sources of finances and support.

Management Case

- **Delivery** – governance structures, plans, and resources in place for successful implementation, delivery, and post evaluation.
- **Robust Approach** – agreed project management, monitoring and reporting systems and processes in place based on best practice principles.

6. Stage 0 – Pre-CPA

6.1. Stage Purpose

The outcome of this stage as per RIBA Plan of Work Stage 0: Strategic Definition is typically establishing the best means of achieving the Service requirements and making the right strategic decisions.



The purpose of this stage is for the sponsoring Service to appoint a Project Sponsor and establish the case for change and its strategic context in terms of:

- Council Plan / Delivery Plan
- Service Delivery Plans
- Local Outcomes Improvement Plan
- Local Development Plan
- UK and Scottish legislation
- Scottish Government strategies
- National Performance Frameworks
- National and regional commitments

At this stage, the main cases from the Five Case Model to address are:

- **Strategic Case**
- **Economic Case**

The commercial, financial and management cases must also be addressed, but the process recognises that at this stage there will most likely be insufficient data to describe these in detail.

6.2. Stage Activities

During this stage, the key activities of the sponsoring Service will typically include:

- Appointing a **Project Sponsor** from within the Service.
- Establishing a **Project Team** responsible for the next development stage in the CPA process.
- Producing a **Strategic Outline Case (SOC)** for consideration.

6.3. Stage Documents

Documents to demonstrate, evidence and support the Stage 0 (Pre-CPA) submission will vary from project to project depending on their value, risk, and complexity, but they should include the following as a minimum:

- **Strategic Outline Case (SOC)**

6.4. Stage Steps

6.4.1. Capital Programme Team

The SOC should initially be sent to the Capital Programme Team who will ensure the proposed project has a sound basis and to provide any comments or amendments to be included in the final version to later be presented to the Capital Programme Board.

6.4.2. Capital Programme Board

After agreement from the Capital Programme Team to proceed, the SOC will then be presented to the Capital Programme Board at CLT who will:

- Review the outcomes and objectives for the proposed project and confirm it makes the necessary contribution to the overall strategy of the Service and the Council.
- Check links with other projects within the Council.
- Review the management arrangements for leading, managing and monitoring the project, and arrangements for identifying and managing the main project risks.
- Check that the estimated cost (budget) and timescales to develop the project are available and realistic, and that sufficient Project Team resources are available to develop the project through the next Stage 1 (CPA 1).
- Determine if a project can access funds from the CPA Capital Development Fund to develop the next stage.
- Either reject the project on the grounds that either the business case is too weak, or insufficient information has been provided to support the business case; or approve the project to proceed to the next Stage 1 (CPA 1).

The Service will incur revenue expenditure during Stage 0 (Pre-CPA).

7. Stage 1 – CPA-1

7.1. Stage Purpose

Projects will only advance to this stage if the **Capital Programme Board** at CLT has previously approved an associated SOC at Stage 0 (Pre-CPA).

The outcome of this stage as per RIBA Plan of Work Stages 1: Preparation and Briefing, 2: Concept Design and 3: Spatial Coordination is typically developing a client project brief, producing concept designs, and coordinating design information.



The purpose of this Stage is to develop an Outline Business Case (OBC) that revisits the case for change, establishes the preferred option which optimises value-for-money; outlines the preferred way forward, assesses affordability and demonstrates that the proposed scheme is deliverable.

At this stage, the main cases from the Five Case Model to address are:

- **Economic Case**
- **Commercial Case**

This will entail updating the strategic case; undertaking investment appraisal within the economic case; and completing the commercial, financial and management cases, with supporting benefits and risks. The financial and management cases are not usually in the level of detail that would be applied in the Full Business Case (FBC) at the next Stage 2 (CPA 2).

7.2. Stage Activities

During this stage, the key activities of the Project Sponsor and Project Manager will typically include:

- Requesting a **capital cost code** from Finance for project development expenditure if internal CPA Capital Development Funds or external grant funding have been granted at Stage 0 (Pre-CPA), otherwise use a Service revenue cost code.
- Requesting authorisation to apply for **external grant funding** by submitting a **Grant Authorisation Form** to the Head of Finance.
- Preparing a **client project brief** (including project outcomes) and **design requirements** (quality aspirations and spatial requirements).

- Producing a **Procurement Plan** for services / works over £10,000, as per Council Contract Standing Orders.
- **Procurement of external consultants** required for the **Project Team**, if applicable.
- Revisiting SOC and preparing **economic appraisals** for short-listed options.
- Establishing **land requirements** with Finance and Legal.
- Undertaking **asset management planning** for existing assets.
- Undertaking **benefits appraisal** and **risk assessment**.
- Selecting **preferred option**.
- Preparing **concept designs** and **outline specifications**, aligned to client project brief.
- Undertaking **design reviews** and **consultation** with key stakeholders and external funders.
- Obtaining **pre-application planning advice** from Planning.
- Ascertaining **affordability** and **funding** requirements.
- Producing an **Outline Business Case (OBC)**.
- Producing a **Service Committee report**, if approved at the Capital Programme Board.

7.3. Stage Documents

Documents to demonstrate, evidence and support the Stage 1 (CPA 1) submission will vary from project to project depending on their value, risk, and complexity, but they should include the following as a minimum:

- **Outline Business Case (OBC)**
- **Service Committee Report**

7.4. Stage Steps

7.4.1. Capital Programme Team

The OBC should initially be sent to the Capital Programme Team who will ensure the developed project has a sound basis and to provide any comments or amendments to be included in the final version to later be presented to the Capital Programme Board.

7.4.2. Capital Programme Board

After agreement from the Capital Programme Team to proceed, the OBC will then be presented to the Capital Programme Board at CLT who will:

- Review the outcomes and objectives for the proposed project and confirm it makes the necessary contribution to the overall strategy of the Service and the Council.
- Ensure the project is supported by key stakeholders.
- Check links with other projects within the Council.

- Review the management arrangements for leading, managing and monitoring the project, and arrangements for identifying and managing the main project risks.
- Check that the estimated cost of the preferred option and budget and timescales to develop the project are realistic and available, and that sufficient Project Team resources are available to develop the project through the next Stage 2 (CPA 2).
- Determine if a project can access funds from the CPA Capital Development Fund to develop the next stage.
- Either reject the project on the grounds that either the business case is too weak, or insufficient information has been provided to support the business case; or approve the project to proceed to the Service Committee for consideration.

7.4.3. Service Committee

After agreement from the Capital Programme Board to proceed the OBC, with any requested amendments, will then be presented to the Service Committee who will consider the recommendations and either reject or approve the project to proceed to the next Stage 2 (CPA 2).

The Service will incur revenue expenditure during Stage 1 (CPA 1) unless otherwise agreed by the Capital Programme Board at Stage 0 (Pre-CPA) to use the CPA Capital Development Fund. The latter will revert to revenue if the project does not progress further.

8. Stage 2 – CPA 2

8.1. Stage Purpose

Projects will only advance to this stage if the **Service Committee** has previously approved an associated OBC at Stage 1 (CPA 1).

The outcome of this stage as per RIBA Plan of Work Stage 4: Technical Design is typically the production of all design information required to manufacture or construct the project.



The purpose of this stage is to develop a Full Business Case (FBC) that robustly evaluates the benefits, risks, costs, and affordability to justify undertaking a project, and establishes robust management arrangements for delivery.

At this stage, the main cases from the Five Case Model to address are:

- **Financial Case**
- **Management Case**

This will entail setting out the financial implications and the project management arrangements covering benefits realisation, contract, risk and change management, and post project review. The economic and commercial cases will be updated or completed.

8.2. Stage Activities

During this stage, the key tasks of the Project Sponsor and Project Manager will typically include:

- Requesting authorisation to apply for **external grant funding** by submitting a **Grant Authorisation Form** to the Head of Finance OR;
- Submitting a **Grant Summary Form** if above authorisation was obtained in the previous stage and grant funding has now been awarded.
- Producing a **Procurement Plan** for services / works over £10,000, as per Council Contract Standing Orders.
- Producing a **Commodity Strategy** for individual Regulated procurements and over Threshold Regulated procurements, as per Council Contract Standing Orders.
- Finalising **land requirements** with Finance and Legal.
- Finalising **asset management arrangements** for existing assets.

- Undertaking **site investigations / surveys**, as necessary.
- Preparing **detailed designs** and all design information required for the project.
- Preparing and submitting **planning application**, where appropriate.
- Preparing and submitting **building warrant application**, where appropriate.
- Preparing and submitting **other statutory approvals** e.g. marine licensing, listed-building consent, SEPA, etc.
- Ascertaining **affordability** and **funding requirements**.
- Finalising **Project Team** to demonstrate adequate resources and capacity.
- Finalising **robust management arrangements** for project management, risk management, change (issue) management, contract management, reporting and post project review.
- Producing **Full Business Case (FBC)**.
- Producing **Committee report**, if approved at the Capital Programme Board.

8.3. Stage Documents

Documents to demonstrate, evidence and support the Stage 2 (CPA2) submission will vary from project to project depending on their value, risk, and complexity, but they should include the following as a minimum:

- **Full Business Case (FBC)**
- **Policy and Resources Committee Report**

8.4. Stage Steps

8.4.1. Capital Programme Team

The FBC should initially be sent to the Capital Programme Team who will ensure the developed project has a sound basis and to provide any comments or amendments to be included in the final version to later be presented to the Capital Programme Board.

8.4.2. Capital Programme Board

After agreement from the Capital Programme Team to proceed, the FBC will then be presented to the Capital Programme Board at CLT who will:

- Review the outcomes and objectives for the proposed project and confirm it makes the necessary contribution to the overall strategy of the Service and the Council.
- Ensure the project is supported by key stakeholders.
- Check risks and impacts to the development other capital projects in CPA Stages 1 – 2 and capital project being delivered on the approved Capital Programme.
- Review the management arrangements for leading, managing and monitoring the project, and arrangements for identifying and managing the main project risks.

- Check that the estimated cost (budget) and timescales to deliver the project are available and realistic, and that sufficient Project Team resources are available to deliver the project.
- Either reject the project on the grounds that either the business case is too weak, or insufficient information has been provided to support the business case; or approve the project (subject to any conditions of approval) to progress to Committee for consideration.

8.4.3. Policy and Resources Committee

In reviewing the Stage 2 (CPA 2) committee report and supporting FBC, the Policy and Resources Committee should satisfy itself that an appropriate level of challenge has been provided for each project, that the associated resource implications represent best value for the Council and take into account any risks or impacts to the development other capital projects being delivered on the approved Capital Programme.

8.4.4. Full Council

The full Council will consider the recommendations from the Policy and Resources Committee. Members can also raise amendments which, in the first instance, would be to ask for items to be referred back to the Policy and Resources Committee for further consideration.

The Service will incur revenue expenditure during Stage 1 (CPA 1) unless otherwise agreed by the Capital Programme Board at Stage 0 (Pre-CPA) to use the CPA Capital Development Fund. The latter will revert to revenue if the project does not progress further.

9. Stage 3 – Capital Programme

9.1. Stage Purpose

The outcome of this stage as per RIBA Plan of Work Stage 5: Manufacturing and Construction is typically the completion of manufacturing, construction, and commissioning.



Following full Council approval at Stage 2 (CPA 2), a project will be subsequently added to the approved Capital Programme. This provides the authority for budget responsible officers (Project Sponsors) to incur capital expenditure to deliver the project agreed upon.

9.2. Stage Activities

During this stage, the key tasks of the Project Sponsor and/or Project Manager will typically include:

- Initiation and management of the **Project Team** with clear direction from the outset on:
 - roles and responsibilities.
 - aims and deliverables.
 - budgets and timescales.
 - co-ordination and communication.
 - external funding conditions and claims.
 - stakeholder engagement.
 - project controls for project management and monitoring (e.g. PRINCE2).
 - regular reporting requirements to the Capital Programme Team, etc.
 - completion and handover requirements.
- Undertaking **procurement(s)** for all delivery related activities, as per the approved **Procurement Plan** for services / works over £10,000, as per Council Contract Standing Orders.
- Finalising formal **contract arrangements**.
- Managing **suppliers** and **contractors** delivering the project.
- Continuous **monitoring and managing risks and issues** raising any immediately with the Capital Programme Team, and escalating to the Capital Programme Board, if required, for their direction and support.

- Submitting **Change requests (issue report)** to vary the scope or nature of the project or incur expenditure out with approved budget provisions - raising any issues immediately with the Capital Programme Board and, if appropriate the Policy and Resources Committee for approval prior to any commitment being made.
- Continuous **cost monitoring** to control all expenditure, as per approved budgets.
- **Conflict resolution** and **corrective actions** are initiated when needed or instructed.
- **Regular reporting** to the Capital Programme Team, etc.
- Submitting an updated **Grant Summary Forms** to Finance each time a **grant claim** is submitted to the external funder.

9.3. Stage Documents

Project management documents will vary from project to project depending on their value, risk, and complexity, but they should include the following as a minimum:

- **Project Plan Schedule** – track activity sequences, start and end dates, durations, and critical path activities.
- **Project Cost Control** – track budgeted versus actual and projected costs.
- **Risk Register** – capture and monitor potential risks.
- **Issue Reports** – approval of request for change, off-specification, or problem.
- **Highlight Reports** – report regular project status and progress.

9.4. Stage Reporting

Reporting requirements and frequencies will vary from project to project depending on their value, risk, and complexity, but they should include the following as a minimum:

- **Change requests (issue reports)** to vary the scope or nature of the project or incur expenditure out with approved budget provisions – raise with the Capital Programme Team for submitting to the Capital Programme Board and, if appropriate, the Policy and Resources Committee, for approval prior to any commitment being made.
- **Capital slippage** identified on the project - raise with the Capital Programme Team for reporting delays and revised timescales to the Capital Programme Board and, if appropriate, the Policy and Resources Committee.
- **Highlight reports** on project progress and performance with obvious reasons for any changes to the programme, cost, or scope of the project – submit to the Capital Programme Team.
- **Capital monitoring reports** to advise the Policy and Resources Committee on progress with capital projects on the Capital Programme – submit to the Capital Programme Team.

10. Stage 4 – Project Completion

10.1. Stage Purpose

The outcomes as per RIBA Plan of Work Stage 6: Handover is handover of the building and building contracts concluded. The outcomes for RIBA Plan of Work Stage 7: Use is typically the building being used, operated, and maintained efficiently. Stage 7 starts concurrently with Stage 6.



Projects should have a clear end with a correct handover of information and responsibility. The purpose of the closing of a completed project is to provide a fixed point to check that the project has reached its objectives and outcomes.

Closing a project naturally occurs when all the work has been done or the instruction for the premature closure of the project by the Capital Programme Board and/or Committees. Where premature closure is instructed clear conclusions and recommendations for doing so should be documented.

10.2. Stage Activities

A **post project review** must be carried out at the end of a project, when required by the Capital Programme Board at CLT in consultation with the Head of Finance, to determine how successful the project has been and to capture lessons learned for future projects. The Project Sponsor should prepare a report and submit this to the relevant Service Committee. The report should establish:

- Whether the stated project **objectives** have been met and intended **benefits** have been realised.
- Assessment of **budgetary position** - costs compared to approved budgets.
- Assessment of **programme** - time taken to complete the project compared to original programme.
- Assessment of **resources** - whether the Project Team was properly resourced.
- **Health and Safety** issues.
- Residual **risks and Issues** at handover and any outstanding **defects**.
- Performance of **Project Team**.
- Performance of **consultants** and **suppliers**.
- Performance of **contractors**.
- **Lessons learned** for future projects.

10.3. Stage Documents

- **Post Project Review** - due to the wide variety of project types undertaken by the Council, the method of carrying out each post project review will tend to be unique to the project. The Capital Programme Team can provide templates and advice on request.

10.4. Stage Reporting

10.4.1. Capital Programme Team

The post project review should initially be sent to the Capital Programme Team who will ensure the review has a sound basis and to provide any comments or amendments to be included in the final version to later be presented to the Capital Programme Board.

10.4.2. Capital Programme Board

After agreement from the Capital Programme Team to proceed, the post project review will then be presented to the Capital Programme Board at CLT.

10.4.3. Service Committee

The relevant Service Committee will review the post project review, if deemed required by the Capital Programme Board in consultation with the Head of Finance.

11. Exceptions

11.1. Exceptional Circumstances (Financial Regulations)

The number of applicable CPA stages can depend on the value, complexity, and risk of the proposed project and this will ultimately be decided by the Capital Programme Team and Capital Programme Board at Stage 0 (Pre-CPA).

In exceptional circumstances, the Head of Finance may, after consultation with the Leader, the Depute Leader, and the Chief Executive, approve any capital expenditure they consider is in the interest of the Council and which is fully funded. The Head of Finance may require a report detailing the action taken to be presented to the next scheduled meeting of the Policy and Resources Committee.

If a report is required, a **Business Justification Case** must be completed.

Last minute projects originating from a lack of forward planning, obtaining unauthorised grant funding or from general non-compliance by not following the CPA process are not exceptional circumstances.

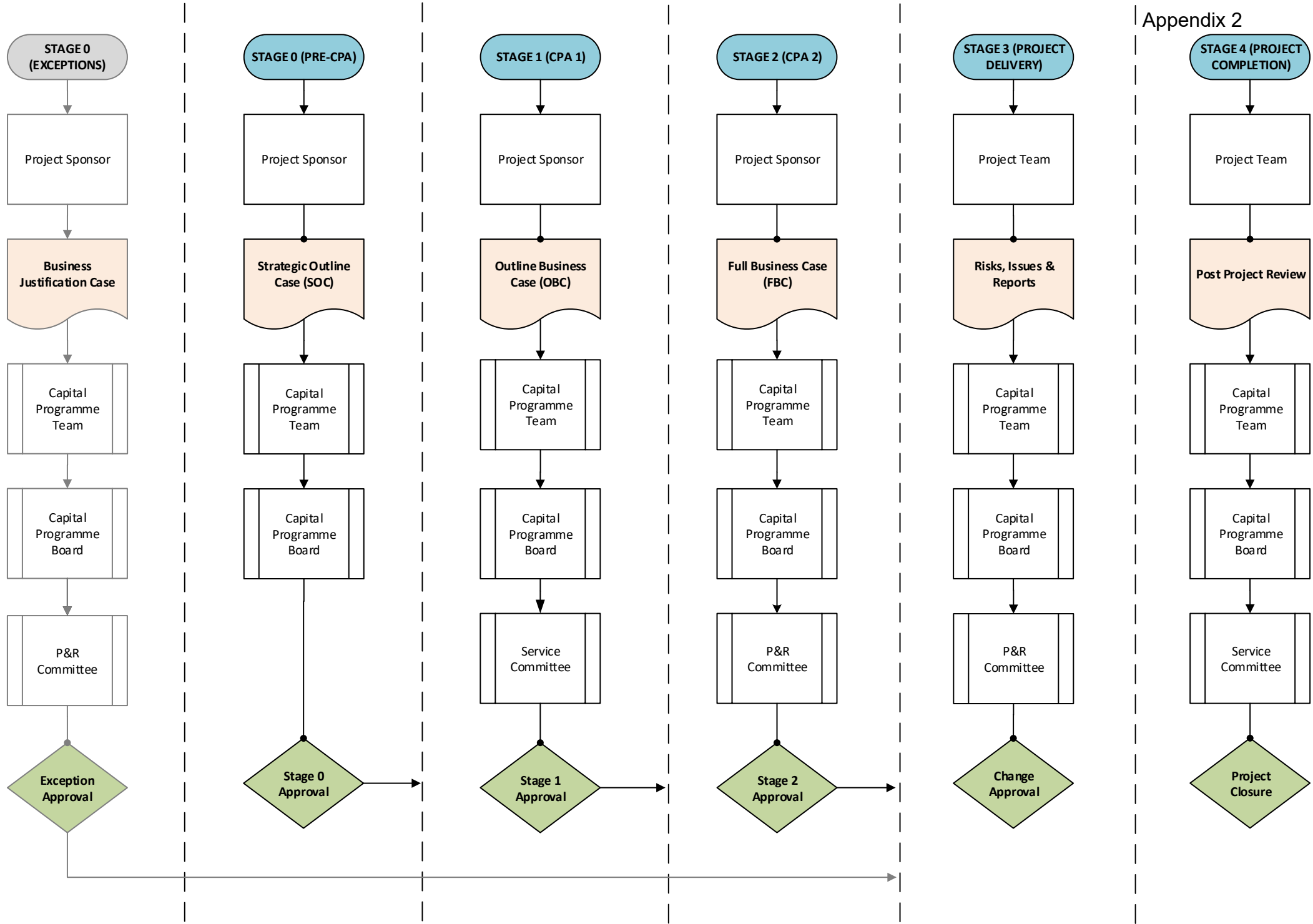
11.2. Low Value / Low Risk Projects (typically below £500,000)

Where the proposed project is of relatively low value or is one that, for example, assesses the options for purchasing equipment or carrying out straightforward or routine construction work, the rigour of the multi-stage CPA process described above may be disproportionate. In such instances a Business Justification Case may suffice.

The Business Justification Case is a single-stage process that addresses all five ‘cases,’ providing levels of detail akin to an OBC at Stage 1 (CPA 1). For these lower value projects, it replaces Stages 1 to 3 and must be pre-approved by the Capital Project Team and Capital Programme Board prior to being submitted to the Policy and Resources Committee for approval onto the Capital Programme for delivery.

A **Business Justification Case** must be completed.

This is not a means to split larger projects into smaller components or phased stages to reduce or underestimate the value of a project and what is colloquially known as “salami-slicing.”



Appendix 2