



Audit & Governance Committee
2 December 2013

Review of the Investment Panel

Purpose of the report: To review the new structure, membership and procedures of the Investment Panel and report to Council Overview & Scrutiny Committee on findings.

Introduction:

1. This report reviews the new terms of reference and operating arrangements for the Investment Panel (the Panel). It considers the effects of changes to the Panel's scope and position in the council's governance framework on its structure, membership and procedures.

Recommendations:

2. It is recommended that Audit & Governance Committee:
 - a) notes the recent changes to arrangements for the Panel; and
 - b) reports its findings to Council Overview & Scrutiny Committee.

Investment Panel

Background

3. Surrey County Council established Investment Panel in 2010 in response to a serious governance failure in relation to a major investment. The Panel's remit was to review the robustness of the business cases supporting proposals for capital investment and invest to save projects prior to decision by Cabinet or Cabinet Member in conjunction with the Leader.
4. In the summer of 2013, the council strengthened its governance arrangements, including the role and scope of the Continual Improvement Board¹ (CIB), which is chaired by the Strategic Director for Environment & Efficiency. Investment Panel is now a sub-group of CIB.

¹ Continuous Improvement Board comprises: Strategic Director for Environment & Infrastructure (Chair), Chief Finance Officer, Head of HR and OD, Head of Policy and Performance, directorate representatives

5. The Panel has not and does not approve business cases. It assures Cabinet, or Cabinet Member and the Leader that the business case supporting a proposal is sound.

Investment Panel's terms of reference and operating arrangements

6. Annex 1 sets out the Panel's terms of reference. In summary, these cover to:
 - review and challenge business cases for schemes relating to approved capital programme items, revenue invest to save proposals and major revenue IT projects to ensure proposals for decision by Cabinet or Cabinet Member in conjunction with the Leader are sufficiently robust and
 - provide oversight of the council's whole capital programme and major revenue investments.
7. The Investment Panel does not consider the council's commercial investments. Item 13 on this agenda, the Governance Update Report, outlines the governance arrangements for the council's new trading strategy, which includes input from the Investment Advisory Board.
8. A member of CIB chairs the Panel. Its membership also includes the Chief Finance Officer and Deputy Director of Business Services and the heads of service for property, internal audit and IMT, plus two front line service heads. This expanded membership reflects the Panel's increased scope and strengthens overall governance by incorporating a wider perspective. Panel members apply their professional knowledge, expertise and judgement to review and challenge business cases to ensure each proposal for decision by Cabinet or Cabinet Member in conjunction with the Leader has a sound basis.
9. To help ensure consistency, currency and relevance the Panel agrees its evaluation criteria and exemption policy at the start of each financial year.
10. Key elements of the evaluation criteria include the following:
 - Has the project had the necessary sign off before submission?
 - Are the project's aims and intended outcomes clear?
 - Has there been sufficient option appraisal?
 - Is the preferred option affordable?
 - Does the preferred option demonstrate value for money to the council?
 - Does the business case fully set out the implications and risks of the preferred option?
 - Does the business case set out milestones against which the preferred option can be monitored?

11. Exemptions from business case review apply to:
 - schemes funded by and for a third party such as a Diocese run school
 - schemes determined by local committees
 - grant funded schemes awarded on a bid basis where the council has already set out its business case in its funding bid
 - highways and property maintenance programmes and
 - Low value IT Change projects.
12. Business case review exemptions apply to highways and property maintenance programmes and smaller scale IT change projects because prioritisation criteria exist within the relevant services to manage the budgets for this work. To allow the exemption, Capital Working Group² (CWG) considers and approves the prioritisation criteria before the start of each financial year and agrees a schedule to report to the Panel on how it has applied the criteria. This gives the Panel oversight of these programmes without bringing numerous smaller scale jobs for its consideration.
13. The Panel only considers business cases where there is evidence of prior review by the appropriate Strategic Finance Manager or Senior Principal Accountant. Only business cases the Panel considers to be sufficiently sound proceed to Cabinet (schemes above £1 million) or Cabinet Member in conjunction with the Leader (schemes between £100,000 and £1 million) for decision whether to release money to enable work on the schemes to start. The Chief Finance Officer can approve capital schemes of less than £100,000 value.
14. The next stage is procurement, including decisions about route to market and contract award.

Capital programme schemes

15. The panel considers business cases that form a part of the council's main capital programme that has been approved in principle by the cabinet.
16. CWG conducts the initial review of proposals to determine whether they should be presented to Cabinet for decision to identify schemes in the Medium Term Financial Plan (MTFP) capital programme.
17. The Panel reviews the robustness of the scheme's business case before Cabinet or Cabinet member in conjunction with the Leader decide whether the council should begin work on a scheme identified in the overall capital programme. Finance provides support to the service preparing the business case to ensure the option appraisal is appropriate and the payback period for savings or income generation business cases is acceptable.

² Capital Working Group comprises: Chief Executive (Chair), Strategic Director for Children, Schools and Families, Strategic Director for Environment and Infrastructure, Strategic Director for Business Services, Chief Finance Officer, Head of Property Services, two directorate representatives

18. Following cabinet or cabinet member approval, the panel will monitor the progress of projects against agreed milestones, which will include budget.

Revenue invest to save items

19. The council has an Invest to Save fund from which services can borrow funds to enable investment in more efficient working practices, processes and systems that produce cashable savings. The savings produced are used to meet service efficiency targets and repay the Invest to Save Fund. Before a scheme receives the appropriate approval from the Cabinet, Cabinet Member for Business Services in conjunction with the Leader or the Chief Finance Officer, the Investment Panel reviews the robustness of each scheme's business case to ensure it is sound.
20. In a similar way to capital schemes, Finance provide support to the service preparing the business case and ensure the option appraisal and the payback period are appropriate.
21. The Panel will review the balance and commitments against the council's Invest to Save fund on a quarterly basis.

Revenue IT change projects

22. The Investment Panel will also review the robustness of business cases for major revenue IT change projects prior to decision to proceed by Cabinet, Cabinet Member in conjunction with the Leader or the Chief Finance Officer.
23. The Head of IMT uses criteria agreed annually with CWG to decide priority for revenue change projects falling below the £50,000 threshold.

Conclusions:

24. The changes to the Panel's terms of reference and operating arrangements strengthen overall governance by:
- ensuring capital, revenue investment and major revenue IT change project proposals put forward for decision by Cabinet or Cabinet Member in conjunction with the Leader have a sound business case
 - bringing a wider professional perspective to the Panel and its consideration of proposals and
 - placing more reliance on evidenced review and input by relevant finance officers.

Financial and value for money implications

25. The revised terms of reference and operating arrangements for the Panel aim to improve financial management and value for money by ensuring business cases for all proposals the Panel considers has input by relevant finance officers and evidence of review by senior finance officers.

Equalities implications

26. None.

Risk management implications

27. The revised terms of reference and operating arrangements for the Panel aim to improve risk management by ensuring investment proposals for decision by Cabinet or Cabinet Member in conjunction with the Leader have a sound business case.

Implications for the council's priorities or community strategy

28. None.

Next steps:

29. The Panel has begun to operate under the new arrangements. Pending comments from the Committee or the Council Overview and Scrutiny Committee, the Panel will continue to establish the procedures described in this report.

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Sources/background papers:

Annex 1 – Investment Panel terms of reference, November 2013

Investment Panel Terms of Reference November 2013

Overview of purpose of Investment Panel:

- A1.1 To help ensure value for money by providing assurance by reporting to Continual Improvement Board (CIB), Corporate Board and Members that robust strategic and full business cases (SBC and FBC) support proposals for:
- new capital projects;
 - invest to save bids;
 - major revenue projects, including IT change projects and;
- A1.2 To strengthen governance arrangements and embed consistent standards.
- A1.3 To provide objective, professional review and challenge of business cases.
- A1.4 To review progress of capital schemes against agreed milestones

General role:

- A1.5 The Panel uses its collective professional knowledge and judgement to review and challenge business cases to ensure proposals for Cabinet or Cabinet Member decisions are sufficiently robust.
- A1.6 The Panel takes an overview of the whole capital programme and major revenue investments and considers the impact of the scale and scheduling of proposed schemes on the Council's capacity to deliver its highest priority schemes.
- A1.7 The Panel liaises with the Capital Working Group, Investment Advisors' Board, Models of Delivery Board and Productivity & Efficiency Panel to share intelligence about the robustness, performance and progress of schemes, projects and programmes.
- A1.8 The Panel reports significant issues to CIB.

Role of Investment Panel members

- A1.9 Panel members use their individual professional knowledge, expertise and judgement to review and challenge business cases to ensure the Council achieves value for money from its capital investments and major revenue projects.
- A1.10 Panel members use their individual professional knowledge, expertise and judgement to monitor and review performance of the capital programme.

Specific roles and responsibilities of Investment Panel

- A1.11 The Panel primarily assesses the robustness of business cases using its agreed evaluation criteria to help ensure the Council achieves value for money.

A1.12 The Panel monitors and reviews the overall progress of the Council's capital and major revenue projects. This includes monitoring progress against milestones and post completion reviews to show how far projects realised their intended benefits.

A1.13 The Panel identifies process or practice improvements in business case development, capital scheme management, project implementation and post completion reviews.

A1.14 The Panel provides guidance, feedback and training on business case development.

Membership

A1.15 The Panel's core members are:

- Member of CIB (Chair)
- Chief Finance Officer and Deputy Director of Business Services
- Chief Property Officer
- Chief Internal Auditor
- Head of IMT
- Two front line service directorate representatives drawn from Council Performance Team (CPT)

A1.16 The Principal Accountant - Capital Programme acts as Technical Secretary to the Panel. Finance provides business support and Minutes Secretary.

A1.17 Panel quorum is four members.

A1.18 Panel members must arrange appropriate substitutes when they are unable to attend. Substitutes must be a member of CPT.

A1.19 The broader proposed remit of the Panel means less of its business would be relevant to the Cabinet Member for Assets and Regeneration Programmes. In the interests of expediency, the Chief Property Officer would discuss capital programme and innovative capital investment matters with the Cabinet Member for Assets and Regeneration Programmes before Panel meetings and debrief following the meeting.

Meetings

A1.20 The Panel meets monthly in advance of regular budget monitoring reports to Corporate Board to ensure timely consideration of business cases in advance of Cabinet meetings.

A1.21 The Chair approves the agenda. The Secretary circulates the agenda and papers at least five working days before the meeting.

A1.22 The Secretary invites relevant project sponsors and Finance, Property, IMT and other relevant professional support to meetings to present business cases.

A1.23 The Chair will ensure the Technical Secretary arranges the reporting of project progress against agreed milestones.

A1.24 The Technical Secretary will report the balance and commitments against the council's Invest to Save fund on a quarterly basis.

A1.25 After each meeting, the Chair approves meeting notes and actions. The Secretary circulates notes and actions the next working day.

Evaluation criteria and exemptions

A1.26 The Panel agrees at the start of each financial year its evaluation criteria and exemption policy.

A1.27 The Panel will apply the following agreed evaluation criteria to ensure consistency in reviewing business cases.

- Has the project had the necessary sign off before submission?
- Are the project's aims and intended outcomes clear?
- Does the proposal comply with the Council's agreed corporate and financial strategies?
- Does the project deliver the corporate and service policy aims?
- Does the business case consider all relevant options?
- Is the preferred option affordable?
- Does the preferred option demonstrate value for money to the council?
- Does the business case set out fully the implications and risks of the preferred option?
- Does the business case set out milestones against which the preferred option can be monitored?

A1.28 The Panel will apply the following policy to exempt any schemes from business case review.

- Capital schemes where Surrey County Council carries out work funded by, and on behalf of a third party e.g. extending a Diocese run school.
- Capital schemes determined by local committees.
- Grant funded schemes awarded on a bid basis where the council has already set out the business case in its funding bid. Finance will have agreed the bid and
- Highways and property maintenance programmes and smaller scale IT change projects where prioritisation criteria exist within the relevant services to manage the budgets for this work.

A1.29 To allow exemption from business case review based on prioritisation criteria, the Panel considers and approves the prioritisation criteria for the service before the start of each financial year and agrees a schedule for the service to report on how it has applied the criteria for that year. This will give the Panel oversight of these programmes without bringing numerous smaller scale jobs under its consideration.

Procedure

A1.30 For capital spending, Capital Working Group (CWG) reviews the robustness of all high level business cases. The business cases include support from Finance in preparing the options appraisal and high level costings. A service will present its business case to CWG explaining:

- the need for capital investment
- options for resolving the issue
- high level costings and
- funding available such as revenue, developers' contributions (Section 106, Community Infrastructure Levy) or grants, including whether the grant requires competitive bidding and if so, the awarding body's success criteria.

A1.31 Business cases considered sufficiently sound by CWG will progress to Cabinet for decision whether to include it in the capital programme.

A1.32 The Panel receives business cases for review. This includes evidence that the relevant Strategic Finance Manager (or Senior Principal Accountant) has reviewed the business case and supports its progression to the Panel for review.

Where a business case is not robust, the Panel rejects it and provides feedback, so the service might resubmit an amended proposal. Business cases rejected by the Panel as being insufficiently sound do not proceed to Cabinet or Cabinet Member for decision.

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