

7. CAPITAL BUDGET MONITORING

7.1 RESPONSIBILITY

The primary responsibility for the monitoring and control of departmental capital budgets lies with each Chief Officer.

The Capital Budget Sub-Group (CBSG) of the Policy and Budget Review Group chaired by the Chief Executive monitors the Council's capital budget, as contained in the Financial Plan, during the financial year and reports on this performance to the relevant Committees at appropriate intervals through the Capital Monitoring Statement.

The CBSG, in consultation with the Convener of the Corporate Services Committee and the Conveners of such other Committees as appropriate, shall be empowered to vary the departmental capital budgets, as contained in the Final Budget Volume, as necessary to protect the Council's position and in accordance with the provisions of paragraph 5.10. This will be reflected in the Capital Monitoring Statement which will be submitted to the appropriate Service Committee and the Corporate Services Committee for approval.

7.2 COUNCIL AUTHORITY

Subject to Standing Order 15(9), where the resolution of a Service Committee arising from a motion would involve expenditure which cannot be contained within existing departmental resources, then except with the authority of the Strategic Policy Committee:

- a no tender for any project costing more than the sum allowed in the Financial Plan shall be accepted;
- b no new or significantly altered project shall be substituted for an approved project; and
- c where the final measurement of a contract sum exceeds the price in the original contract or an agreed revised contract sum (taking into account any approved variations authorised in terms of the contract) no payment in excess of the original or revised contract sum, as appropriate, shall be made.

7.3 PERIODIC MONITORING REPORTS TO COMMITTEES

a. Departmental Capital Monitoring Reports. The Head of Finance in conjunction with each Chief Officer will be responsible for submitting to the respective Service Committees, on an agreed timetable, joint reports covering :

- actual capital net expenditure compared with phased capital budgets; and
- estimates of capital income and expenditure with projected out-turn.

In all cases, areas of major variation should be highlighted and reasons for variances provided together with corrective action for adverse variations.

Such reports shall be submitted as follows:

- the position to the end of September will be reported in the November / December cycle;
- the position to the end of December will be reported in January where feasible or February for those Committees which meet in early January; and
- the position at the financial year end will be reported in the September / October cycle.

- b. Corporate Capital Monitoring Reports.** The format and timetable of corporate, summary capital monitoring reports to the Corporate Services Committee shall be determined by the Head of Finance in conjunction with the Director of Corporate Services. The content of the report in respect of individual departmental budgets and expenditure should be determined after close liaison between service accountants within the Finance Division and the Designated Officer for the relevant department.

For the purposes outlined above, Designated Officer is defined at paragraph 1.10.

7.4 CAPITAL PROJECTS MONITORING GROUP (CPMG)

Report 1050/04 to the Resources & Central Services Committee of 9 September 2004 and the Strategic Policy Committee of 14 September 2004, approved the establishment of a Capital Projects Monitoring Group to examine any issues raised through the routine capital monitoring process on the General Fund and Housing Revenue Account Capital Programmes and subsequently direct any corrective action which may be required.

The core membership of the CPMG will comprise:

- the Convener of Corporate Services;
- the Vice Convener of Corporate Services;
- an opposition Member from the Corporate Services Committee;
- the Director of Corporate Services; and
- the Head of Finance.

Departmental Chief Officers / Designated Officers will be required to attend as necessary to provide information on individual capital projects and address any issues which the CPMG may wish to raise.

The Group will undertake an overview role in the overall monitoring of the Composite Capital Programme which will supplement other monitoring arrangements as detailed above; investigating with relevant officers the issues and reasons for identified areas of substantial potential overspend/underspend and agreeing corrective action as appropriate.

The Group will perform a monitoring role only and will not consider the strategic aspects, development or funding of individual capital projects or the Capital Programme as a whole. These areas will continue to be the responsibility of the CBSG and PBSG.

7.5 HEAD OF FINANCE RESPONSIBILITIES

The Head of Finance has a responsibility to ensure that capital monitoring by Chief Officers is carried out at least calendar monthly and that relevant financial information is provided in a format and within a timetable to allow such monitoring.

The Head of Finance also has a responsibility to ensure that the CBSG and CPMG are provided with suitable information to allow the Council's capital budget to be monitored.

7.6 CONTRACT VARIATIONS

Accumulations of variations which will result in a material over/underspend shall be reported to the Head of Finance for homologation by committee within the context of periodic monitoring reports. For this purpose, a material under/overspend is deemed to occur at a threshold of 5% for contracts in excess of £100,000, and at 7.5% for contracts under £100,000.

It is however only necessary to report a variation, or accumulation of these, in respect of contracts (including those carried out under a schedule of rates contract) where the latest

estimated total contract value is over the Delegated Authority of Chief Officers as per Appendix 2.

It is the responsibility of Chief Officers to report such variations as soon as anticipated and in the case of potential overspends in particular, as far as possible in advance of expenditure being incurred which will result in the overspend. The Head of Finance in consultation with the Director of Corporate Services has discretion to review this percentage on over/underspend limits for projects in excess of £1 million.

7.7 COMMITTEE REPORT PREPARATION - CAPITAL EXPENDITURE

Chief Officers must adhere to the requirements pertaining to Committee Report Preparation which are detailed within Section 9 of these Regulations.

7.8 DESIGNATED ACCOUNTABLE MANAGERS

Each Chief Officer shall ensure that an appropriate Designated Accountable Manager (DAM) is identified for each capital project within their Financial Plan. The officer identified should be empowered to take all decisions in respect of the project and will be responsible and accountable for both the delivery and budget monitoring of the project.

**For clarification or any queries in respect of this section please contact
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