Eastbourne Borough Council
Working in partnership with Eastbourne Homes

Lewes District Council

CAPITAL PROGRAMME GUIDANCE

&

BUSINESS CASE

Contents

CAPITAL PROGRAMME GUIDANCE & BID PROCESS

1. Introduction

1.1 This guide aims to give an overview of the Capital Scheme Authorisation Process, for inclusion of new capital schemes within the Lewes DC or Eastbourne BC capital programme. The guide will also provide an overview of what meets the definition of capital expenditure and who to contact for further guidance.

1.2 Capital spend should be planned a long time in advance. It is expected that most capital bids will be made during the Service & Financial Planning process.

1.3 An application must be completed for all capital projects, even where the project is being financed from a grant and is not dependent of the Council finding resources. All projects will form part of the Council's overall strategic capital programme which covers a 3-year period, which must be approved by Cabinet.

1.4 Officers are responsible for preparing capital budgets jointly with Directors/ Assistant Directors and Heads of Service and report them to Cabinet for approval. The Cabinet will make recommendations on the capital budgets and on any associated financing requirements to Council.

1.5 Cabinet Member approval is required where a Director/Assistant Director or Head of Service proposes to bid for or incur additional borrowing, not anticipated in the Capital Programme (extra borrowing will create future commitments to financing costs).

2. What is Capital Expenditure?

2.1 Capital Expenditure can be defined as;

"The acquisition, construction or enhancement of fixed assets (tangible and intangible) ".

2.2 'Capital' refers to the assets owned by Lewes DC or Eastbourne BC (LDC or EBC), such as equipment, machinery, buildings or intellectual property. Capital expenditure is the money spent to create, replace or upgrade an asset. Capital assets will generate benefits over more than one year.

2.3 Expenditure can be capitalised where it relates to the:

- Acquisition, reclamation, enhancement or laying out of land.
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.
- Acquisition, installation, or replacement of movable or immovable plant, machinery, apparatus vehicles or vessels.

2.4 Enhancement of an existing fixed asset means;

- To lengthen the useful life of the asset; or
- To increase substantially the open market value of the asset; or
- To increase substantially the extent to which the asset can be used for the purposes of or in connection with the functions of LDC or EBC.

2.5 There are two additional situations where expenditure may be capitalised;

- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure. These directions are only issued in exceptional circumstances.
- Expenditure incurred on works to any land or building in which the local authority has no future direct control or benefit from the resultant assets, which would be capital expenditure if the local authority had an interest in that land or building. (Revenue expenditure funded by capital under statute).

2.6 Expenditure incurred in relation to repairs and maintenance of existing assets, irrespective of the amount, is not classified as capital expenditure; it must be charged to the Revenue Account. Just because an expenditure is of a high value does not mean that it is capital, e.g. works to the Town Hall – the replacement roof will be capital, but windows maintenance will be revenue. Meetings and feasibility work are NOT capital expenditure.

2.7 It is not always easy to distinguish between capital and revenue and this may require judgement on the part of officers and external auditors.

3. What is Revenue?

3.1 Revenue Expenditure is any expenditure which does not meet the definition of capital expenditure. The expenditure only provides benefits for the current financial year.

3.2 Revenue expenditure represents spend to maintain day-to-day operations. The benefits of revenue spend are received immediately. Failure to carry out annual maintenance to an asset which then means additional costs are incurred all at once later, does not make the spend capital. Capital applications received which are in fact for revenue will not be approved as part of the capital programme.

3.3 **De Minimis** - LDC and EBC operate a de-minimis limit of £10,000. This means that, whilst expenditure may meet the definition of capital expenditure, it will be treated as revenue expenditure if the amount is below the de-minimis threshold.

4. Fixed Assets

4.1 **Tangible Fixed Asset** - Tangible fixed assets are asset which have a physical substance and are held for use in the provision or supply of goods or services, for rental to others, or for administrative purpose on a continuing basis within the Councils service delivery activities. This means that the asset must be grounded in some physical property, such as land, a building, vehicle or a machine. Tangible Fixed Assets are recorded in the Council's Balance Sheet under the Property, Plant & Equipment categories;

Operational

- Council Dwellings
- Other Land and Buildings
- Vehicles, Plant, Furniture and Equipment Infrastructure Assets
- Community Assets

Non-Operational

- Assets Under Construction
- Surplus Assets held for Sale
- Investment Properties.

4.2 Operational Assets are held, occupied, used or contracted to be used on behalf of LDC or EBC or consumed by the council in the direct delivery of the services for which it has a responsibility, whether statutory or discretionary or for the service or strategic objective of the Council's.

4.3 Non-Operational Assets are held by the council, but are not directly occupied, used or consumed in the delivery of services, or for the service or strategic objectives of the Council.

4.4 Attributable Costs - Expenditure on the purchase of an asset, together with costs directly attributable to bringing the asset into working condition for its intended use, are classified as capital expenditure.

Attributable costs include;

- Labour costs of internal staff (e.g. in-house architects, surveyors and site workers) directly arising in the construction or acquisition of the tangible fixed asset.
- The incremental costs to the Council that would have been avoided only if the particular fixed asset had not been constructed or acquired.

4.5 Examples of Attributable Costs:

- The cost of site preparation & clearance.
- Initial delivery and handling costs.
- Installation costs.
- Acquisition costs such as stamp duty.
- External professional fees (such as legal, architects' and engineers' fees).

4.6 Non – Attributable Costs: These are not considered to be directly attributable to bringing the asset into working condition for its intended use, so cannot be capitalised.

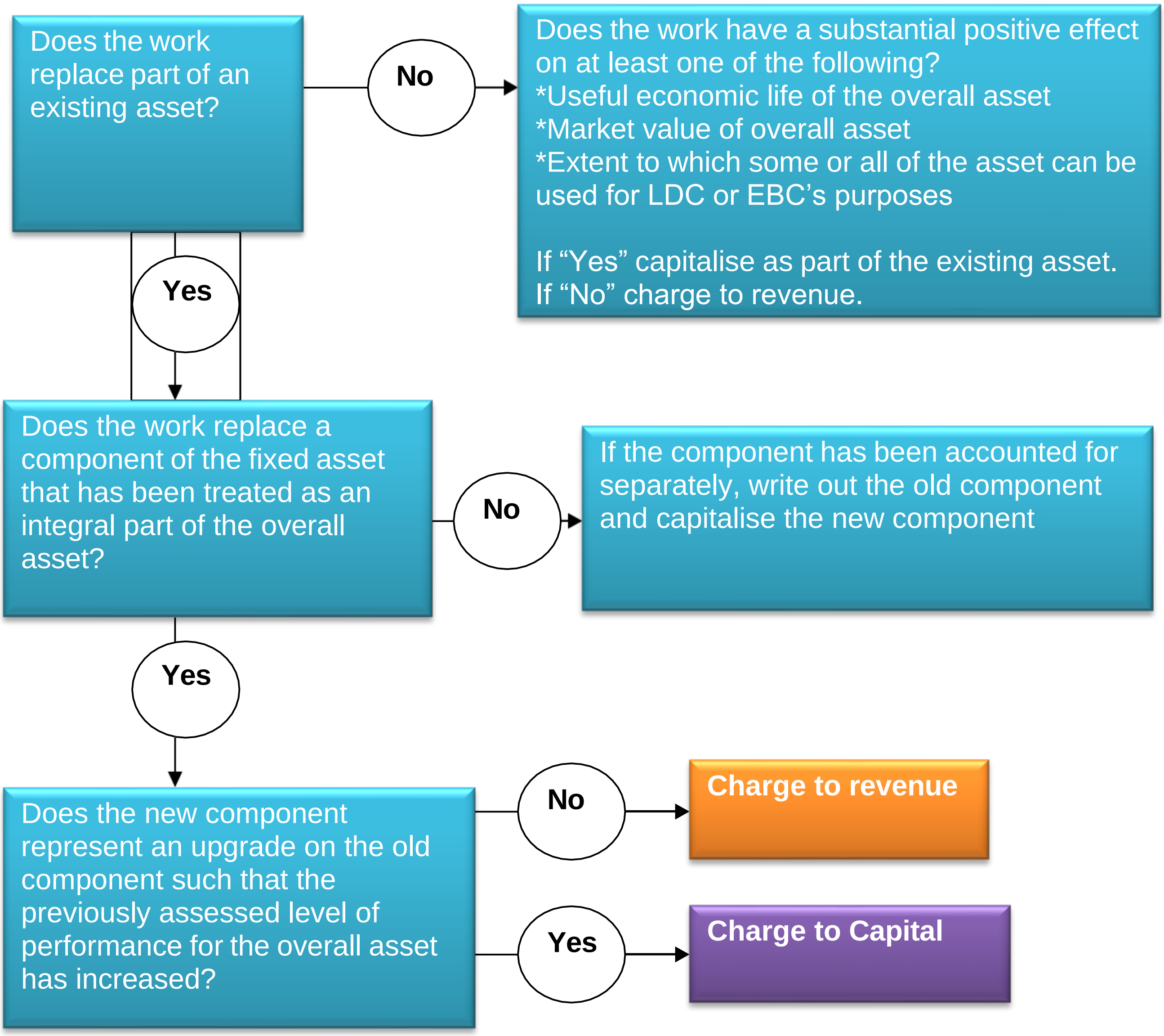
Examples of Non – Attributable Costs:

- Administration and general overhead costs.
- Training staff to use a new asset.
- Employee costs incurred whilst the Council is considering options, e.g. deliberating on the problems it wishes to resolve by having, a new building, scoping potential solutions and choosing between them. Until a solution is decided upon, the costs cannot be directly attributable to bringing an asset into working condition.
- Abnormal costs resulting from design errors, defective work, industrial disputes, wasted materials, staff or other resources.
- Site security during construction.
- Costs of renting alternative accommodation for staff during building works.
- Costs associated with a speculative project and aborted capital schemes.

4.7 **Enhancement -** Expenditure which is made to enhance an asset is Capital. Expenditure which prevents an asset falling in value, i.e., maintenance is revenue expenditure. Enhancement expenditure is defined as carrying out works to meet one of the following criteria;

- To lengthen the economic useful life of the asset; or
- To increase substantially the open market value of the asset; or
- To increase substantially the extent to which the asset can be used for the purposes of or in connection with the functions of the Council.

4.8 The following flowchart summarises whether expenditure on an existing asset represents enhancement work (provided expenditure exceeds the de- minimis).



4.9 It is possible for expenditure to qualify as enhancement (capital) or maintenance (revenue), e.g. the installation of double glazing. If the building currently has single glazing then it is an enhancement, but if it replaces existing double glazing which is damaged then it is maintenance.

4.10 Intangible Fixed Assets - Intangible assets are fixed assets that do not have physical substance but are identifiable and controlled by the Council through custody or legal rights. They must be intended for use on a continuing basis in the Council's activities and have more than short term value for the Council. (i.e. they must be used for more than 1 year).

Examples include:

- Purchased software licenses;
- Patents;
- Licenses, trademarks;
- Development expenditure; and
- Goodwill.

4.11 Bought in computer software is the only common item of LDC or EBC expenditure that meets the strict criteria, for recognition as an intangible fixed asset.

4.12 Software - All software development costs which will benefit the Council for more than one year can be capitalised, subject to the total exceeding the Council's de-minimis level.

4.13 IT costs which can be capitalised;

- Purchased software covering a period of more than one year are classified as capital expenditure. Annual licences or subscription charges are not allowed and must be treated as revenue expenditure. Software licences covering a period of up to one year are classified as revenue expenditure.
- Software developed internally - All expenditure is classified as capital expenditure, provided the software has a readily ascertainable market value. The means there should be similar software products available for purchase on the open market.

4.14 IT costs, which cannot be capitalised;

- Training users on a new system. This does not bring the asset into working condition.
- Securing acceptance of the new system/changing the way in which services are provided or the way in which people do their jobs.
- Costs related to change management should be charged to revenue as they do not contribute directly to the fixed asset.
- Severance costs, due to needing a smaller workforce. These have no direct link to the resultant fixed asset.
- Additional staff costs to fill posts vacated by project officers. All the costs of employing additional staff to cover officers who have been given project roles will be charged to revenue.
- Transferring data from an existing system to a new system and data cleansing. The system is capable of being operational without this exercise, so costs should be charged to revenue.
- Website Development - these costs should be charged to revenue unless the website's primary purpose is to deliver specific services offered by Lewes DC or Eastbourne BC.
- IT Consumables - these will not benefit the Council beyond one year, so should be charged to revenue.

- The Code is explicit in saying that it is unlikely that subsequent costs on an intangible asset such as software can ever be capitalised, because there is an expectation that such works will actually be maintenance rather than adding to the asset's economic or service potential. However, if you can demonstrate that the expenditure meets the Code's capitalisation criteria (e.g. given software increased functionality), capitalisation is not ruled out.

4.15 Capitalisation of Staff Costs - Costs incurred as a result of staff spending time on capital projects can be capitalised, provided that time can be linked to bringing a specific, separately identifiable asset into working condition, or substantially enhancing the working life of an existing asset.

4.16 Time spent on other potential acquisitions or developments cannot be capitalised, e.g. if a Council employee surveys four potential buildings for purchase, then only the employee's time spent surveying the purchased site can be capitalised. The costs of surveying the other three sites are charged to revenue.

4.17 Staff costs that can be capitalised;
- Salary and on-costs, (e.g. employers national insurance and pension contributions).

4.18 In order to capitalise salary and on-costs, project managers should demonstrate both of the following;
a) The staff costs have been incurred in order to bring an asset into its working condition or to substantially enhance it.
b) Detailed timesheets, so that staff time can be linked to specific capital or revenue projects.

4.19 Timesheets must be capable of withstanding audit scrutiny, as a minimum timesheet should;

- State hours worked on each capital project.
- Be authorised by the project manager.
- Contain a description of the activity carried out.
- State and hourly/daily rate for the individual.

4.20 An hourly/daily rate should then be calculated by dividing the total annual cost of the employee (salary and on-costs) by the number of working days/ hours in a year. This will then be multiplied by the number of days/ hours spent working on a particular scheme each year and charged to the relevant capital or revenue project.

4.21 Contracted Works - Where LDC or EBC employs external contractor to carry out works on its behalf then the full cost of these works may be capitalised, provided;
- The works undertaken are recognisable as capital expenditure; and
- The works can be attributed to specific capital projects.

4.22 If a contractor is employed to undertake both capital and revenue projects, then the costs of each project will need to be provided to ensure that expenditure is charged to the correct capital code or revenue cost centre.

4.23 Fixed Asset Register – (Non-current Assets Register) - Accountancy maintain a fixed asset register which records the acquisition, disposal, depreciation and revaluations for all assets held by the council. Assets less than £10,000 are considered de-minimis and generally will not be included on the register, thus projects of less than £10,000 would not generally be considered capital projects.

5. The Capital Bid & Authorisation Process

5.1 Project Stages - Each proposed capital scheme will need to follow the capital authorisation process, which comprises of a number of stages. At each stage specific documents are required, together with approval from numerous groups and senior management. The stages are outlined in the table below;

Stage		Purpose	Approval
1	Assess various options, including doing nothing.	Agree service priorities and evaluation of different options to discover the optimum solution.	Head of Service.
2	Complete Outline Business Case Template. (**Appendix A – Stage 1**)	Assess whether the proposal is viable and whether it meets council or directorate priorities.	Directorate Management Team.
3	Consult	Check that stakeholders are in agreement with the proposals.	Directorate Management Team/CMT.
4	Complete Detailed Business Case Template. (**Appendix A – Stage 2**)	To submit the proposed scheme for formal approval and inclusion in the LDC or EBC capital programme. • CPOB will appraise the application using an agreed scoring matrix and make recommendations to CMT. • CMT will in turn make recommendations to Cabinet for final approval. • Generally, approval will be given in February at the same time as the Budget is approved.	CPOB/Service - Cabinet Member/Full Council.
5	Procure Contract	Select the contractor(s) that will carry out the work.	Directorate Management Team/Strategic Procurement Manager
6	Create scheme code in CAFi.	Every capital scheme has a unique code for expenditure and income within CAFi financial management systems.	Completed forms should be sent to Systems Accountant

Stage		Purpose	Approval
7	Monitor and Report on progress of scheme.	To ensure the project is on course, on time and within budget. Financial performance reports are produced by the Capital Accountant. Non-financial performance reports are produced by relevant Capital Coordinator, within the directorate.	Directorate Management Team/CPOB.
8	Review and Evaluate the Completed Scheme.	To improve future value for money in relation to capital schemes.	CPOB/CMT/Cabinet

5.2 It is expected that all bids will be submitted during the Service & Financial Planning process. However, the Capital Programme Overview Board meets quarterly and can consider bids received during the year where unexpected capital projects arise. Bids received outside of the Service & Financial Planning process are still subject to appraisal by CPOB and approval by Cabinet.

5.3 All capital projects must be approved by Cabinet and/or Full Council even when they are fully funded by external sources. For example - we receive Government funding for Disabled Facilities Grants each year, but this still needs to be included in the Council's capital programme and approved by Cabinet. This will ensure that Cabinet are fully aware of the overall capital programme and help inform decisions they make with the Council's limited capital resources.

5.4 Stage 1 – Option Development

a. All capital projects need to demonstrate that they meet the Council's strategic objectives together with both service and corporate priorities. Part of the capital project process is to justify the allocation of limited resources to a prioritised set of projects delivering specified outcomes.

b. Project managers will need to apply experience and knowledge to outline a range of options which meet the Council's strategic objectives and priorities. The selection of the best option will be made using the projection prioritisation methodology. The final choice will then be developed into a formal bid.

c. It is important that Project managers provide sufficient details to demonstrate how the project will ensure corporate priorities are met and to enable the delivery of value for money.

5.5 Stage 2 – Complete Outline Business Case (OBC).

a. An Outline Business Case must be completed for all Capital Schemes. Every section of the template must be completed, including indicative costs. The OBC must then be approved by the Director, Service Cabinet Member in consultation with Finance Service.

b. The purpose of an OBC is to provide indicative information at an early stage, comprehensive and accurate information should be entered in the Detailed Business Case.

c. Agreement for the release of upfront costs must be sought by contacting the Chief Finance Officer (CFO) after referring to the Council's Financial Procedure Rule.

Indicative Costs

d. A scheme appraisal for financial viability in both the current and future years, together with capital/revenue cash flow forecasts for at least three years.

e. The project managers should input accurate estimates and use common sense in ensuring that calculations make sense. Capital Schemes will usually impact upon the council's revenue budget and it is important that figures are input to demonstrate this.

f. It is also important to note that the current capital receipts forecast is very limited, so the majority of internally funded schemes will be financed by borrowing. Borrowing has an impact upon the revenue budget in two ways; interest and Minimum Revenue Provision (MRP), i.e., repayment of debts.

Financing Capital Projects

g. The Council can finance its capital expenditure from the following sources;
   - Direct Revenue Financing (Contributions from revenue budgets).
   - Capital Receipts (Proceeds from the sale of the Council's assets).
   - Government Grants.
   - S106 Developers Contributions.
   - Borrowing – The interest payable on amounts borrowed, together with a provision for the repayment of debt, will be met from the Revenue Budget.

h. Consult with the CFO and seek Cabinet approval where Director/ Assistant Director and Head of Service proposes to bid for Government approvals to support expenditure that has not been included in current year's Capital Programme.

i. Underspent Capital budgets at year-end will be carried forward in the Capital Programme automatically unless no longer required.

If you require any assistance in completing the Finance section of the Document, please contact your Finance Support/Capital Accountant.

Project Governance and Authorisation to Proceed.

j. The Project Manager is responsible for progressing the Outline Business Case through the sign off process:- the project sponsor must sign to approve the project. The proposal must also be accepted by the Chief Finance Officer.

k. Proceed with projects only when there is adequate provision in the Capital Programme, following Cabinet or Council approval, and with the agreement of the CFO where required.

l. Cabinet can approve projects up to a cumulative value of £500,000 (General Fund) and £500,000 (Housing Revenue Account) in any one financial year. Projects that breach the £500,000 limits – either alone or cumulatively – require Council approval.

m. For Capital Schemes the completed report/documentation must be approved by the Cabinet, before any spend can commence. Once Cabinet has approved the inclusion of this project in the Council's capital programme and funding has been allocated, then Project Managers should proceed to stage 3.

Project Prioritisation Scoring Sheet

n. Project Managers must also complete a project prioritisation scoring sheet for each capital scheme. The scoring sheet has been designed to assess the potential value and complexity/risk of a proposed scheme. The project manager should record a score for each measure, based on their detailed understanding of the scheme. In simplest terms the scheme with the highest value score and the lowest complexity/risk score should be undertaken.

5.6 Stage 3 – Consultation

a. Project Managers and Project Sponsors are responsible for ensuring that stakeholders are in agreement with the proposals.

b. Ensure that all capital projects have undergone a robust appraisal which has been approved by Financial and Legal Services, before being presented and discussed by the appropriate management group.

c. Capital schemes are by their very nature complex and require highly expert technical support. Professional advice should be sought from suitably qualified persons to assist in the consultation phase. Examples include;
   - Quantity Surveying / Planning
   - Building Control
   - Environmental Health
   - Legal
   - Finance

5.7 Stage 4 – Complete Detailed Business Case (DBC)

a. The Project Manager should complete a Detailed Business Case prior to incurring any expenditure, with the exception of approved up-front costs. All sections of the detailed business case should be completed accurately and comprehensively.

Costs

b. The project managers should input accurate estimates and use common sense in ensuring that calculations make sense. Capital Schemes will usually impact upon the council's revenue budget and it is important that figures are input to demonstrate this. It is also important to note that the current capital receipts forecast is very limited, so the majority of internally funded schemes will be financed by borrowing. Borrowing has an impact upon the revenue budget in two ways; MRP and Interest.

Financing Capital Projects

c. The Council can finance its capital expenditure from the following sources;
    - Direct Revenue Financing (Contributions from revenue budgets).
    - Capital Receipts (Proceeds from the sale of the Council's assets).
    - Government
    - Grants
    - S106 Developers Contributions
    - Borrowing – The interest payable on amounts borrowed, together with a provision for the repayment of debt, will be met from the Revenue Budget.

d. Expenditure and Income Profiling - Project Managers must profile their expenditure and income by month in each financial year. This section should be completed as accurately as possible in order to enable the council to effectively monitor the progress of capital schemes.

Project Governance, Milestones and Authorisation to Proceed

e. The project manager should complete the resource requirements, milestones and Project Governance sections. Finance relies heavily upon the project manager when assessing capital schemes, so it is important that this information is correct.

f. The project manager is responsible for progressing the Detailed Business Case through the sign off process and the project sponsor must sign to approve the project. The proposal must be approved by the CPOB, Director, Cabinet Member, and the Chief Finance Officer.

g. The Project Sponsor must then validate the project proposal with representative from ICT, HR, Risk, Legal, Finance and Asset Management to ensure that they have capacity to deliver the project.

h. After the Detailed Business Case has been approved, a signed copy should be sent to the Capital Accountant and DCFO.

5.8 Stage 5 – Procure Contract

a. Procurement of a contract is likely to be required following a detailed understanding of the project, its objectives, and how this will be achieved.

b. In particular the following policies are relevant and must be complied with:
    - Council's Financial Procedure Rules
    - Capital Definition
    - Procurement Rules (in particular Contract Standing Orders), contracts above certain values need to be procured in accordance with the Public Procurement Directives.

c. Guidance on these matters should always be sought from the Strategic Procurement Manager before entering into any contract.

5.9 Stage 6 – Create Scheme Civica/CAFi codes.

a. Each Capital Scheme is allocated a unique code for expenditure. Each directorate uses a different code in order to easily identify projects.

5.10 Stage 7 – Monitor and Report on Progress of Scheme.

a. The directorate management team are responsible for monitoring and reporting on the progress of their capital schemes. Routine Monitoring is carried out as follows;

- At the Front Line – by Project Managers. The Project Manager should be fully informed of progress to date on each of their capital schemes. Delays in completion of the project or deviation from the schemes financial budget should be reported immediately to the directorates Finance Support/Capital Accountant.

- At Directorate Management Team Meetings – by Heads of Service/ Project Sponsors. Senior Management teams should be informed of the progress of each scheme and made aware of any problem areas.

- Financial Budget Monitoring – The Finance Service/Capital Accountant produce a monthly/quarterly capital budget monitoring report. This compares actual expenditure to the profiled budget of capital schemes. The results are reported monthly to DMT/CMT/CPOB and quarterly to the Cabinet.

b. Project Managers are responsible for;

- Prepare regular reports reviewing Capital Programme provisions for their services and prepare a quarterly return of estimated final costs of schemes in the approved Capital Programme for submission to CFO.

- Producing a profile of the annual gross budget and external funding, by month. This should be agreed in consultation with the Capital Accountant.

- Ensuring that all anticipated income is received, and all expenditure is coded to the correct capital scheme CAFi element.

- Taking account of Capital underspends carried forward into the following years Capital Programme.

c. Specific Reports to CPOB are required in the following cases;

- The capital budget is likely to overspend by more than 10% or £50,000, whichever is the lower (subject to minimum overspend of £5,000). An explanation (from the Director) for this and how the overspend is to be funded should be included.

- If a scheme no longer meets the original aims as set out in the Minimum Project Documentation. This may be due to external factors, such as legislation, or the organisations strategic priorities. An explanation for the change should be included.

- Whenever CPOB, Cabinet Members or the Chief Finance Officer requires it.

d. Project Management - Linked with the monitoring of capital schemes is the need to project manage the entire capital programme. Heads of Service generally take the lead for this within directorates. But the Capital Accountant should be fully informed of progress on every capital scheme within the council's annual capital programme.

5.11 Stage 8 – Review and Evaluate the completed Scheme.

a. Once a scheme is completed it is necessary;
   - To evaluate how well the process of carrying out the work went and whether there are any lessons to be learnt for future projects.
   - To assess whether and to what extent the scheme achieved its' purpose in service terms and to decide if the scheme was value for money.

b. The extent of the evaluation process depends upon the size and complexity of the project under review.

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Appendix A

Stage 1 – Outline Business Case

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Stage 2 – Detailed Business Case

Outline Business Case

STAGE 1: Outline Business Case

a. Title	
Project Name	
Project location	
Project Sponsor	
Directorate	
Type of scheme	…. Rolling Programme …. Capital Project - over £60k …. Minor Capital Project -under £60k . ....Revenue - under £60k . ....Revenue - over £60k
Funding	Internal / External / Mixed

b. Project Information	
Project Purpose/ Outline Description	*What is the background or context of the project?* *Describe the main objectives which are to be met by the achievement of the project.* *Describe how it is envisaged the work will be undertaken.*
Activities in Scope	*Outline the activities/tasks the project is to cover.*
Out of scope/ exclusions	*List what/who the project does not cover.*

c. Deliverables / outputs	
Deliverables**:** *What will be the outputs of the project? For example, a deliverable may be an IT System, a building, or a policy.* *How will the scheme support the Council / Services?*	
Deliverable	Date Due
1.	
2.	
3.	

d. Options Appraisal
What other options have been considered?
What is the preferred option and why?
Implications of project rejection
What is the effect of not doing the project?

e. Benefits & risks - this is indicative at this stage; more detail will be required through the development of the business case and project delivery documentation		
Benefits	Timescales for delivery	
Key risks - *[Summarise key risks and mitigating actions. For example, Financial, Political, Reputational, Environmental, Legal, Capacity to Deliver, Supplier Performance, etc. Please outline potential mitigating actions*		
Risk	Level of risk	Mitigating Action
A full risk analysis will be undertaken once the project has the go ahead, at this stage risks will be indicative		

f. Stakeholders involvement – required to deliver or project will impact (please list with names of individuals and ensure that those who will be required to input or deliver the project are aware)	
Directorates	
Members	

Public if applicable	
g. Timescales	
Expected start date	
Expected finish date	

Agreement to release of up-front costs to develop Detailed Business Case	
Up-front costs	If up-front costs are required for a capital project, it must be clearly identified in the financial appraisal. Approval should be sought through finance for release of monies at this stage. See Council's Constitution/Financial Procedure Rules.
How much is required and what for?	

Project Managers must not commit expenditure until they are certain that the budgets for that project have been approved in compliance with the Council's Constitution.

COSTS - Detailed Financial Assessment of preferred option		
Total cost of project	**£'000**	
Breakdown of costs where applicable:		
Feasibility costs – (Revenue)		
Design costs		
Materials		
Labour costs		
Implementation costs		
Other costs		
If significant internal staff resources are needed for this project, please estimate costs. (Staff costs per hour/day available from Accountancy)		
REVENUE IMPLICATIONS		
Please provide details of the expected operating costs for the project e.g. repairs and maintenance, insurance, utilities, training, staff costs, legal costs, IT, etc. Include any estimated additional income to be generated		
	Expenditure	**Income**
During project implementation		
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		

Please state how you anticipate meeting these costs.	
EXTERNAL FUNDING SOURCE	
Provide details of any external funding available for the project, e.g. grants /contributions. State whether funding needs to be matched by EBC.	
What consideration has been given to obtaining external funding?	
Has external funding already been secured?	
Are there any limits or conditions on external funding?	
How will external funding be controlled?	
Have you considered delivering the scheme in partnership with the Energy & Sustainability Joint Venture?	
ASSUMPTIONS	
State any assumptions you have made.	

What is the useful economic life of the asset in whole years?	
RISKS ASSESSMENT	

Some suggestions of risks are listed. Please add any other risks specific to your project.	**Likelihood** 1 = very unlikely 5 = almost certain	**Impact** 1 = very low 5 = very high
Cost overrun		
Time overrun		
Failure of contractor to deliver		
Loss of key personnel		
Technical failures		
Legislative changes		
Partners on project fail to deliver		
Political or policy change		
Other		

Please add comments about risks and how they will be mitigated.	
Other information relevant to your application.	

i. Outline Business Case Sign off (circle, sign, and date)		
Project proposal validated by:	**Name and signature**	**Date**
Project Manager		
Project Sponsor		

GUIDANCE: ***The Project Manager is responsible for progressing the sign off process. The business case must be signed by the Cabinet Member responsible for the Service to enable release of funds.***				
Approved	Rejected	Re-write	Director - Name & Signature	Date
Approved	Rejected	Re-write	Cabinet Member for service– Name & Signature	Date

Approved	Rejected	Re-write	Capital Accountant – Name & Signature	Date
If applicable: Up-front costs How much approved?			Capital Accountant – Name & Signature	Date
Approved	Rejected	Re-write	Chief Finance Officer– Name & Signature	Date
Approved	Rejected	Re-write	Deputy Leader/Cabinet member for financial services – Name & Signature	Date
Step 2	**Approval to be sought with the Capital Programme Overview Board (CPOB).**			
Approved	Rejected	Re-write	On behalf of CPOB– Name & Signature	Date

Once approved please forward copy to:

- Capital Accountant……………………………..……
- Deputy CFO ………………………………………

END OF OUTLINE BUSINESS CASE (OBC)

EASTBOURNE Borough Council
Working in partnership with Eastbourne Homes

Lewes District Council

Stage 2 – Detailed Business Case

a. Title	
Project Name	
Project location	
Project Sponsor	
Directorate	
Type of scheme	…. Rolling Programme …. Capital Project - over £60k …. Minor Capital Project - under £60k ….. Revenue - under £60k ….. Revenue - over £60k
Funding	Internal / External / Mixed

b. Project Information	
Project Purpose/ Outline Description	*What is the background or context of the project?* *Describe the main objectives which are to be met by the achievement of the project.* *Describe how it is envisaged the work will be undertaken.*
Activities in Scope	*Outline the activities/tasks the project is to cover.*
Out of scope/ exclusions	*List what/who the project does not cover.*

c. Deliverables / outputs	
Deliverables**:** *What will be the outputs of the project? For example, a deliverable may be an IT System, a building, or a policy.* *How will the scheme support the Council/Services?*	
Deliverable	Date Due

d. Options Appraisal	
Options	*Describe and evaluate the different options, state clearly the preferred option (this project), with a clear rationale.*
Implications of "do nothing"	*This should include anything which may impact on non-compliance if project not delivered.*
Project Delivery / Project Approach	*State how the project can be delivered, i.e. internally/outsourced/with partners/or other way. This could also include information about work streams*
Dependencies	*Identify what this project is dependent on i.e. what else needs to be completed before the project can be successful or completed. Are there any external factors which might impact on the success of the project?*
Constraints	*What are the parameters/limits for carrying out the project? E.g. time, resources, skills etc.*
Assumptions	*Are there any assumptions being made?*
Procurement route / options	

Assessment of preferred option	
Expected Benefits (opportunities) of this project	*Scope the Opportunities. What are the expected benefits from this project? When completing this section consider:* • *Reasons why the project is being undertaken* • *Will service/services improve? Are any services being cut?* • *Benefits of the project both financial and non-financial* • *How will the benefits be realised (i.e. monitored or tracked)?* • *Who will deliver the benefits?* ***Any benefits stated here must be Specific, Measurable, Achievable, Realistic and Time bound.***
Disadvantages (threats) of this project	
Impact Assessment of preferred option	
Employee implications	*Include any implications of the output of the project for employees, e.g. staffing levels, redundancy, training requirements etc.*
Equalities Issues	*Does, or could, the project have an adverse effect or impact on members of any specific group within the community?*
Other impacts	*Will the project have any other implications e.g. for any other key project areas. (Please check Corporate Project Register) contact.*

Strategic Assessment of preferred option	
Statutory Duty & any legal implications	*Briefly outline the statutory duty or legal commitment the project may address.*
KPIs and key targets	*Is the project helping us to achieve a council or national target?*
Impact on delivering your priorities	*State what specific and measurable outputs the project will achieve that contribute to the delivery of the Council Objectives (below). How is this project helping us to achieve our strategic objectives? Please don't feel compelled to create a fit to each priority, choose only those priorities where it will be possible to measure the impact:* *1. Prosperous Economy* *2. Quality Environment* *3. Thriving Communities* *4. Sustainable Performance*
Fit to the objectives of the Service	*State if this project is included in your Directorate Service Plan.*
Fit to the objectives of the Council's Asset Management Plan	*State if this project has been identified within the Council's Asset Management plan and explain how this project supports its delivery*
Additional Details (if any) re Financial Assessment of preferred option (continue to the next section for the detailed financial appraisal)	

<table>
<tr><td colspan="3">e. Benefits & risks - this is indicative at this stage; more detail will be required through the development of the business case and project delivery documentation</td></tr>
<tr><td>Benefits</td><td colspan="2">Timescales for delivery</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td colspan="3">Key risks - [Summarise key risks and mitigating actions. For example, Financial, Political, Reputational, Environmental, Legal, Capacity to Deliver, Supplier Performance, etc. Please outline potential mitigating actions</td></tr>
<tr><td>Risk</td><td>Level of risk</td><td>Mitigating Action</td></tr>
<tr><td>Risks to the Council (please use the Council’s risk headings)</td><td colspan="2">[Summarise key risks. For example, Financial, Political, Reputational, Environmental, Legal, Capacity to Deliver, Supplier Performance, etc. A full risk log will be developed once project is agreed</td></tr>
<tr><td colspan="3">A full risk analysis will be undertaken once the project has the go ahead, at this stage risks will be indicative</td></tr>
<tr><td colspan="3">f. Stakeholders involvement – required to deliver or project will impact (please list with names of individuals and ensure that those who will be required to input or deliver the project are aware)</td></tr>
<tr><td>Directorates</td><td colspan="2"></td></tr>
<tr><td>Members</td><td colspan="2"></td></tr>
<tr><td>Public if applicable</td><td colspan="2"></td></tr>
</table>

g. Timescales – key milestones		
Please include a Gantt or excel programme as part of the detail business case		
	Start date	**End date**
Milestone		
Feasibility study		
Milestone		
Detail Design		
Planning		
Out to Tender for Price		
Milestone		
Mobilisation		
Contractor approved		
Milestone		
Project start on site		
Project completion on site		
Milestone		
Defects period		
Final retention payment		

h. Project Governance

Please provide details of how it is proposed that this project should be governed, this should as far as possible be within existing governance structures.

Project Sponsor	
Project Manager	
Project Board (if known)	
Project Team/s by work stream.	
Directorate and Service Area	

Resource requirements

It is important that before the project progresses any further that there is an indicative view of the following

Resources employed to date, this should include information in respect of meetings attended and work undertaken to get the business case to this level, including an indication of costs. Your Business Support Accountant/Capital Accountant will advise on calculating a day rate for those involved.

Resources required for delivery, this should include time to deliver and to manage delivery. Please ensure this has been agreed with the relevant service area.

Governance and set up

Who	No of days	Costs

Delivery

Project/work stream	Support service required and for what	No of days	when	Costs

Appendix B

1 Project Prioritisation Scoring

1.1 All capital bids are subject to the project appraisal process. Applicants are advised that schemes appraised during the “feasibility” process will not maximise their appraisal score because they will usually lack “information” such as whether all sources of funding are in place or the necessary statutory comments have been obtained.

1.2 To complete a project appraisal form thoroughly applicants must be conversant with the Council’s Corporate Plan and the four Council priorities contained therein and the three principles of service delivery: Valuing People; Sustainability; and Efficient Services. It may also be helpful if they have undertaken a training course on project management.

1.3 Project prioritisation is as follows:

SCORE	PRIORITY
130 – 170	high
80 – 125	medium
35 – 75	low
0 – 30	Not considered

1.4 It is important to engage with your Finance support/Capital Accountant at the earliest opportunity to identify the costs and benefits of the project and to confirm the relevant route for approval of any project expenditure. You will also need to identify the specific service and corporate requirements based on the type and size of project.

2 SCORING GUIDANCE

2.1 **Option appraisal** **Maximum 20 points**

If you can demonstrate that alternatives have been considered, and this is the best way to deliver the project, then it will score high points.

A high score can only be achieved when applicants provide commentary/evidence of evaluating alternative options to the project and describe the consequences of not proceeding. A full option appraisal of all alternatives will be required to achieve a high score, demonstrating through a cost benefit analysis, sustainability and value for money to the community. A properly completed whole life cost appraisal delivering against value for money and sustainability will be required to achieve a score of 10 points, and evidence of high public support and value to the community will carry up to an additional 10 points. Projects which are not completely detailed and do not include a project plan or properly estimated costs will score poorly.

2.2 **Delivery of corporate objectives** **Maximum 50 points**

If your project is mentioned in the Corporate Plan or directly relevant to one or more of the four priority themes you will score, whereas if your project does not support a Corporate Plan priority theme your score will be zero (see note 6 above). For a high score your project will need to be related to more than one Corporate Plan theme i.e. you will score 10 points for each connection to a priority theme. There are 10 further points available if you can demonstrate how the project will improve your service

2.3 **Statutory Obligation** **Maximum 30 points**

A project which has no legal or statutory duty, satisfies no public or staff health and safety functions or fails to maintain important council assets, would score zero. Examples of projects which would score, would be replacing a building roof, complying with means of escape, fire regulations, new legislations etc. The score may be on sliding scale depending on the severity of the obligation and alternatives to complying with the obligation e.g. a duty of care would score 10.

2.4 **Reputation** **Maximum 20 points**

This criterion takes into consideration that if a project was not completed there would be implications or reputational damage to the Council. Points will be scored dependent on the severity.

2.5 **Revenue Implications** **Maximum 20 points**

Projects must show a careful assessment of revenue costs/income. Points will be awarded on the following basis; 20 points where there is a significant income generation or if there are costs of not completing a project and an estimate is provided, 10 points if the revenue is cost neutral and 0 points if there are additional revenue costs as a result of the scheme.

2.6 **External Funding Sources** **Maximum 20 points**

Scoring will be high where the project attracts significant financial aid. If levering in of external resources (including additional income generation) matches the Council's investment pound for pound, you will score 10 points and where levering in of resources exceeds pound for pound matching you may score higher on a pro rata basis. You may also score additional points for partnership schemes. If the project is funded entirely by external sources, it will score 20 points. No external funding/resources will score zero.

2.7 **Risk Assessment** **Maximum 10 points**

A project with a risk assessment and a Business Plan will score 10 points.

Project Prioritisation Scoring Sheet

Officer responsible									
Date received									**Total**
Gross Value of bid in £'000									**0**
SCORE	**MAX**	**SCORE**	**SCORE**	**SCORE**	**SCORE**	**SCORE**	**SCORE**	**SCORE**	
Option Appraisal	20								
Delivery of Corporate Objectives:									
Prosperous Economy	10								
Quality Environment	10								
Thriving Communities	10								
Sustainable Performance	10								
Service Improvement	10								
Statutory Obligation	30								
Reputation	20								
Revenue Implications	20								
External Funding Source	20								
Risk Assessments	10								
Total	**170**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Are there any implications for Partial exemption?									
PRIORITY		**H/M/L/F**	**H/M/L/F**	**H/M/L/F**	**H/M/L/F**	**H/M/L/F**	**H/M/L/F**	**H/M/L/F**	
130 - 170 High									
80 - 125 Medium									
35 - 75 Low									
0 - 30 Fail									

Created by the Capital Prog Overview Board - September 2022