

Cherwell District Council
Budget Planning Committee

7 October 2014

Capital Programme – Use of Contingency

Report of the Director of Resources

This report is public

Purpose of report

To propose a means of operating a capital contingency within the council's current capital programme.

1.0 Recommendations

The meeting is recommended to note and consider the contents of this report.

2.0 Report

- 2.1 At its meeting of 29 July 2014, the Budget Planning Committee discussed the monitoring of the council's capital programme. During that discussion, it appeared that certain items within the capital programme represented a contingency and the committee felt it would be more appropriate that, if there were to be a capital contingency, this should be a central one. The committee requested a proposal as to how any such contingency should operate if it were agreed to proceed with one.
- 2.2 The backbone of a strong capital programme is accurate preparation and planning of each scheme which will reflect the likely costs and include any contingency within the scheme if this is felt to be appropriate. It is important that when considering the use of any contingency that it is not seen as a "bail out" of schemes which have not had a rigorous assessment prior to them being approved.
- 2.3 The role of any contingency, therefore, needs to be properly considered. If it is not viewed as a "bail out" funding, then it could legitimately be seen as a sum of money to support unforeseen *capital* expenditure which is needed as a matter of urgency. Some examples of this type of spend might be urgent repairs to an asset or urgent health and safety works.
- 2.4 However, it should not be seen as a replacement for any major capital programmes or to act as a backup. It is suggested that there are certain criteria which are applied to any form of contingency. These are set out below:
- That the funding is applied for genuine unplanned urgency work
 - That it meets the corporate priorities of the council
 - That by nature it will be smaller one off pieces of work rather than a medium to large project

- That it is not to be applied simply to offset a cost overrun which will be managed as part of the overall capital programme management

2.5 The nature of the contingency suggests it should not be a large amount (possibly £100,000) as to avoid the tying up of capital resources within the programme which could be used for further investment in the district.

2.6 The process for applying for this funding should be relatively straight forward and it is suggested that this should be subject to the approval by the Director of Resources in conjunction with the Lead Member for Financial Management and the respective lead member and Head of Service. The monitoring of the scheme can be via the existing capital programme monitoring which reports to the Budget Planning Committee and to Executive.

3.0 Conclusion and Reasons for Recommendations

3.1 The committee is asked to consider this report and whether they wish to establish a capital contingency.

4.0 Consultation

Councillor Ken Atack, Lead
Member for Financial
Management

Cllr Atack is content with the report and
supportive of the recommendations contained
within it.

5.0 Alternative Options and Reasons for Rejection

5.1 Not to establish a central contingency. This is the current practice and is an acceptable alternative to the process outlined in the paper.

6.0 Implications

Financial and Resource Implications

6.1 The creation of a capital contingency would be met from exiting capital resources.

Comments checked by: Nicola Jackson, Corporate Finance Manager
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Legal Implications

6.2 There are no legal implications in this report. .

Comments checked by:
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Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
n/a	None
Background Papers	
None	
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