

Cabinet Response to the recommendations of the Overview and Scrutiny Board – Capital Projects

No.	Recommendation:	Cabinet Response:
1.	The current economic situation is one where almost all project costs are increasing, especially in terms of materials and labour. Every project budget should have a contingency percentage built-in. The contingency percentage should be project specific and calculated by reference to a number of factors including the cost of the project and the risk profile of the project. It may be that a more robust contingency percentage needs to be applied in the current economic circumstances.	Each capital project already includes a contingency, but the Cabinet will task the Capital & Growth Board to review each project to ensure that the allocated contingency is sufficiently robust, given the current economic circumstances and consider how the development of business cases for new capital projects can be improved to provide greater assurance on costs and deliverability. (New projects will already include current inflated costs anyway)
2.	It may be appropriate to review the level of financial due diligence undertaken in respect of a project, particularly in respect of prospective contractors. Thorough financial due diligence should inform the level of security that the Council should be seeking in respect of a contractor. Financial due diligence is also something that should be monitored throughout the life of the project, not simply at the outset.	Contractor due diligence forms part of the Council's established procurement process including financial due diligence. The Cabinet will task the Capital & Growth Board to review what further financial due diligence might be appropriate during the life of any given project.

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3.	A capital project will be made up of several elements and potentially multiple contracts. There needs to be a joined-up approach to reviewing and negotiating the legal documentation – as indicated in the submitted report in regard to agreements for lease and building contracts, the terms of the documents need to dovetail.	The Cabinet recognise that it is not possible to remove risk entirely from a project and the transfer of risk away from the local authority is likely to increase the cost of the project. It is often the case that a project will involve multiple legal documents and the Cabinet will task the Chief Executive and the Capital & Growth Board to review current processes to ensure that a joined-up approach is being undertaken to such documentation.