

Capital Programme Management – Cardiff Council

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Summary report

Summary

Why we did this audit

Our audit duties

- 1 We carried out this audit under the duties contained within:
 - section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) to help enable the Auditor General to be satisfied (or not) that the Council has put in place proper arrangements to secure value for money in the use of its resources; and
 - section 15 of the Well-being of Future Generations (Wales) Act 2015 to help enable the Auditor General to assess the extent to which the Council is acting in accordance with the sustainable development principle in taking steps to meet its well-being objectives.

Our objectives for this audit

- 2 Our objectives for this audit are to:
 - gain assurance that the Council has put in place proper arrangements for developing, delivering and monitoring its capital programme to secure value for money in the use of its resources and to apply the sustainable development principle; and
 - identify how the Council can strengthen its arrangements.
- 3 By proper, we mean appropriate arrangements as defined by the audit criteria included in Appendix 1.

What we looked at and what does good look like¹

- 4 The audit sought to answer the overall question: **Does the Council have proper arrangements in place to secure value for money in the development and delivery of its capital programme?**
- 5 We used the audit criteria set out in **Appendix 1**, which also shows how the criteria relate to the audit questions.

¹ Defined as 'what should be' according to laws or regulations, 'what is expected' according to best practice, or 'what could be', given better conditions.



Our audit methods and when we undertook the audit

- 6 The audit methods included interviews with some Senior Officers, one Elected Member and project leads for the sample projects, review of relevant committee and board papers and minutes and review of other relevant documents.
- 7 We sample tested the application of the Council's capital project and programme management arrangements for three tracer capital projects. We did not perform an in-depth review of these projects but considered these in relation to our audit criteria as set out in appendix 1. The projects we reviewed were:
 - Roath Park Dam works (required under the Reservoir Act 1975)
 - Waungron Road housing and transport hub development
 - Ysgol Gyfun Gymraeg Bro Edern roof replacement
- 8 The evidence we have used to inform our findings is limited to these sources. We undertook this work during May to September 2024.

What we reviewed

- 9 We reviewed the Council's arrangements for managing its capital programme. We looked at how the Council designs its capital programme, how it monitors delivery of the programme and how it reviews and evaluates the effectiveness of its arrangements. We also considered the risks and challenges the Council faces in relation to the design and delivery of the capital programme.
- 10 Capital expenditure relates to investments in assets such as buildings and transport infrastructure. It can include buying or building assets, but also enhancing and improving them. Capital expenditure makes up a significant proportion of local government expenditure: across Wales, councils forecasted capital expenditure of just under £2.3 billion during 2023-24² and capital outturn expenditure for 2023-24 was around £1.8 billion³.
- 11 In Cardiff, the Council forecast capital expenditure of around £458 million during 2024-25 and it spent £301 million on capital projects in 2023-24. **Exhibit 1** below shows the Council's capital expenditure between 2014-15 and 2023-24 totalled nearly £1.83 billion⁴.

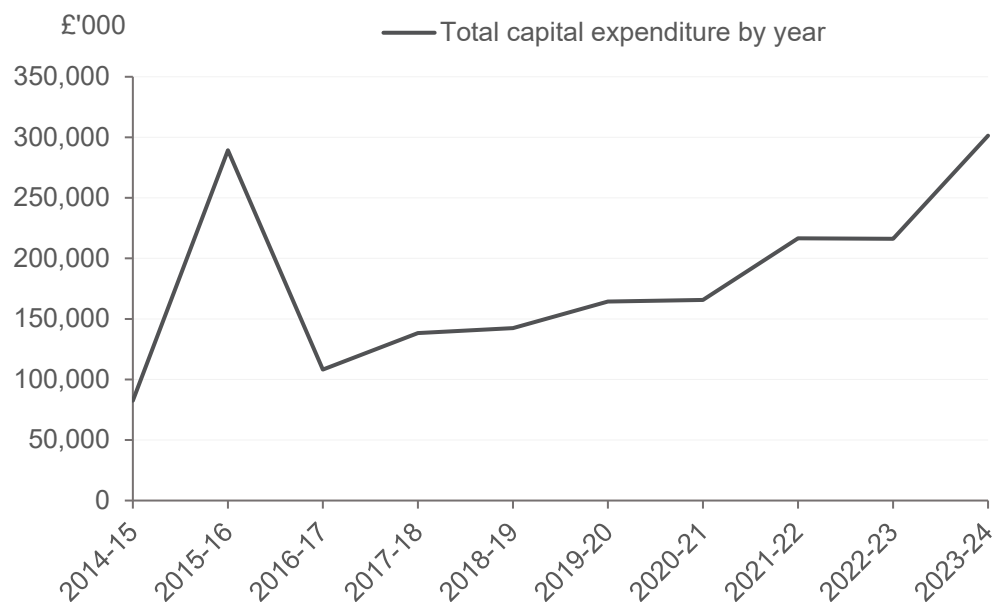
² [Capital forecast, by service \(gov.wales\)](#)

³ [Capital outturn expenditure by authority \(gov.wales\)](#)

⁴ Capital expenditure was unusually high in 2015-16 as the Council paid £187 million to exit from the Housing Revenue Account subsidy system and become self-financing (as did the other councils in Wales with housing stock).

Exhibit 1: capital expenditure 2014-15 to 2023-24⁵

The chart below sets out how much the Council spent on capital projects between 2014-15 and 2023-24.

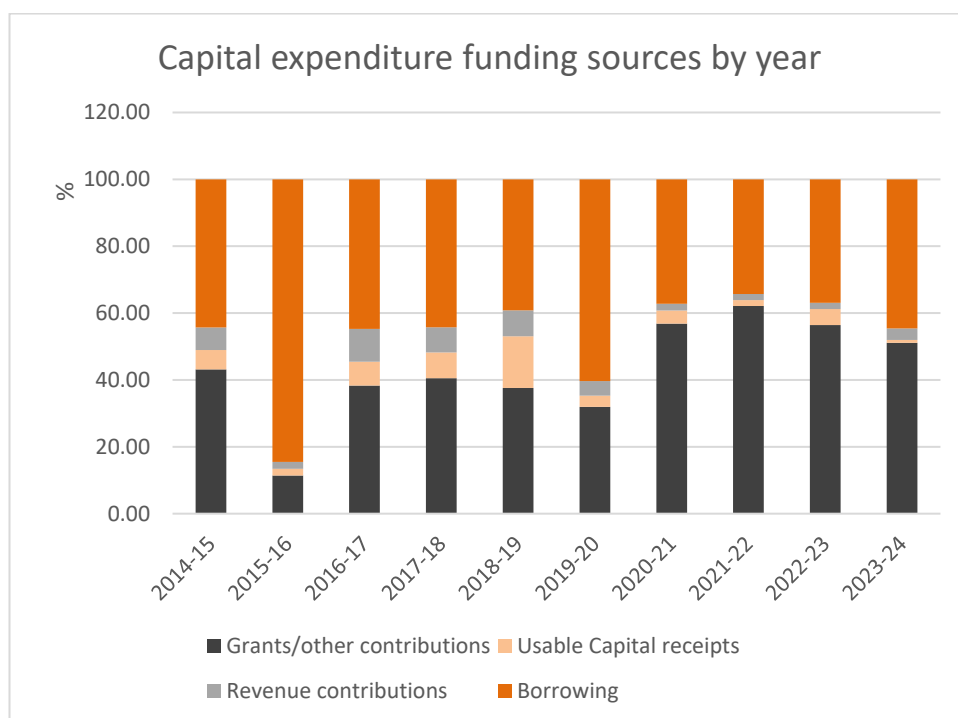


- 12 Most capital expenditure is funded by grants, capital receipts (from the sale of other assets) and prudential borrowing. **Exhibit 2** shows that the way capital projects are funded varies between years according to the availability of different funding sources. In recent years, grants have been the main source of funding, accounting for 51% (£163 million) of total funding in 2023-24. This reflects the timing and value of available grant schemes, and capital expenditure requirements in those years.
- 13 In contrast, only 11% (£33 million) of capital spending was funded by grants in 2015-16, when borrowing was the main source of income: 85% (£244 million). However, capital expenditure in 2015-16 was unusually high due to the £187 million the Council paid HM Treasury to exit from the Housing Revenue Account subsidy system and become self-financing (as did the other councils in Wales with housing stock).

⁵ [Capital outturn expenditure by Authority \(£ thousand\) \(gov.wales\)](https://gov.wales)

Exhibit 2: capital expenditure funding sources 2014-15 to 2023-24⁶

The chart below sets out how the Council funded its capital projects between 2014-15 and 2023-24.



- 14 Funding from borrowing and capital receipts affords the Council more control over its capital programme, as grant funding often has strict criteria on what capital projects can be funded. But borrowing and capital receipts are limited by their affordability and availability.
- 15 The Council's 2024-25 Capital Strategy sets out that the Capital Financing Requirement (a measure of the capital expenditure incurred historically by the Council that has yet to be funded from the Council Fund) is set to increase from the £920 million reported in 2023, to an estimated £1,573 million in 2029. The strategy also forecasts that the proportion of the Council's revenue budget which will be committed to servicing borrowing costs will increase, meaning robust capital programme planning is more important than ever.
- 16 Given the short and long-term financial impact of the capital programme, it is important that the Council has appropriate arrangements to ensure that its capital expenditure secures value for money. And as capital projects are often designed to realise benefits over a long timescale, it is equally important that the Council applies the sustainable development principle when planning and delivering its capital programmes.

⁶[Capital outturn financing by source of funding \(£ thousand\) \(gov.wales\)](https://gov.wales/capital-outturn-financing-by-source-of-funding)

What we found

- 17 Our review sought to answer the question: Does the Council have proper arrangements in place to secure value for money in the design and delivery of its capital programme?
- 18 Overall, we found that: **the Council has generally good arrangements to plan and monitor its capital programme; however, there are weaknesses in benefit evaluation and knowledge sharing.** We reached this conclusion because:
- the Council has generally good arrangements to plan its capital programme with clear links to the corporate strategy and well-being objectives.
 - the Council has effective arrangements to monitor and manage the delivery of its capital programme; however, it does not systematically evaluate whether each completed project has realised its intended benefits.
 - the Council reviews the effectiveness of some of its capital programme management arrangements, but this is not done consistently across the organisation.

Detailed report

The Council has generally good arrangements to plan and monitor its capital programme; however, there are weaknesses in benefit evaluation and knowledge sharing

The Council has generally good arrangements to plan its capital programme with clear links to the corporate strategy and well-being objectives

19 In reaching this conclusion we found that:

- in developing its capital programme and strategy, the Council involves a range and diversity of voices but acknowledges there is more to do on engagement. In response to the recommendations we made in our review of the Council's arrangements for completion of Equality Impact Assessments⁷, the Council told us they are in the process of making improvements to ensure that all relevant groups are engaged when considering service change or budget proposals.
- we observed some positive examples of stakeholder engagement during our review of the tracer projects. For example, all School Organisation Programme (SOP) schemes have been subject to full school organisation consultations. For the Roath Park Dam project, the Council has conducted two stakeholder engagement exercises. These were carried out both at the initial and design phases and included equalities questions. They were conducted via a range of media and face to face engagement.
- the Council considers how it will deliver the long term aims of its capital programme during the budget-setting process. In the Council's 2024-25 budget, each element of the capital programme is linked to one or more well-being objective. The Council monitors progress against its well-being objectives by measuring progress against specific target Key Performance Indicators. For example, under the well-being objective 'Safe, Confident and Empowered Communities,' the Council has a rolling target of 4,000 new homes delivered to date.
- for individual projects, consideration of benefits varies, depending on what type of project is being considered and how it will be funded. For example, schools transport and major regeneration projects are subject to Welsh Government mandated templates and oversight. Housing projects must include a viability assessment in their business cases. The Council has a standard business base template (for projects which do not fall into the categories above) which includes consideration of benefits; however, the

⁷ [Audit Wales review of equality impact assessments in Cardiff Council April 2024](#)

Council last reviewed this in 2014-15 and it refers to superseded governance arrangements. This creates a risk that the template will not be completed to the standards required by more recent legislation and that the business case will not follow the appropriate management and governance processes.

- the sample projects we reviewed were all planned and approved appropriately (except for Roath Park Dam works which are still at the feasibility stage and have not yet been put forward for approval) with reasonable consideration given to value for money. Review of these projects evidenced consideration of a wide range of benefits (including delivering the Council's longer-term aims) across these projects. For example, the decision to include Waun Gron in the Cardiff Living Housing Development programme was based on the long-term need for more housing in the Cardiff area and is also intended to deliver the benefits of building houses quickly and utilising a brownfield site.
- the Council's budget setting process effectively identifies the resources needed to deliver its capital strategy over the short, medium, and longer-term. This process also demonstrates consideration of the affordability and revenue implications of the capital programme, and that the Council adapts the programme accordingly.
- the Council demonstrates through its budget setting and monitoring processes (including its Medium-Term Financial Plan) that it clearly understands the impact of its borrowing over the short, medium and long-term and this is fully factored into its medium-term financial plan.
- the Council's good financial and governance arrangements enable it to plan its capital programme economically and efficiently. However, until it improves its engagement with the public, it cannot be sure that its capital programme is fully meeting the needs of its citizens and communities and therefore that it is effective.

The Council has effective arrangements to monitor and manage the delivery of its capital programme; however, it does not systematically evaluate whether each completed project has realised its intended benefits

20 In reaching this conclusion we found that:

- the Council has comprehensive governance arrangements to monitor its capital programme and individual projects from a value for money perspective, during the delivery phase of its capital projects.
- officers provide budget monitoring reports on a quarterly basis to Cabinet; these reports include progress updates on capital programme expenditure against the budget including any slippage and over/underspend of projects. There are specialist Boards for decision-making on the most significant elements of the capital programme (Housing, Schools and Major Projects).

- the Council has a variable track record of delivering projects on time but a generally good track record of delivering projects within the budget. Where projects are not being delivered within budget and/or on time, the Council takes action, such as value engineering or delaying projects to accommodate schemes which have cost more than anticipated.
- the Council reports the progress of some of its key capital projects and the impact these projects have on the relevant well-being objective(s), within its annual Wellbeing Reports. However, the Council does not systematically evaluate whether each capital project has realised its intended benefit.
- if the Council does not consistently evaluate its capital projects once they have been completed, it cannot be assured that the projects have achieved the outcome that was intended when the project was planned and therefore whether the Council has achieved value for money for its expenditure on the project.

The Council reviews the effectiveness of some of its capital programme management arrangements, but this is not done consistently across the organisation

21 In reaching this conclusion we found that:

- the Council reviews the effectiveness of its capital programme management arrangements on an ad hoc basis. For example, in November 2023, the Corporate Director of People and Communities presented a review of the control environment within her Directorate (which includes the Housing capital programme) to the Council's Governance and Audit Committee. This included consideration of key elements of capital programme management e.g. governance arrangements, risk management (in particular the risk of the Council not meeting its housebuilding targets) and how the Council obtains assurance on the financial viability of its housing projects.
- Where the Council identifies increased risk in the delivery of any significant aspects of its capital programme, it updates governance arrangements to reflect the level of risk. For example, the Council put in place the Housing, Schools Organisation Programme and Major Projects Boards to reflect the increasing complexity and scale of the Council's capital programme. However, the Council does not systematically review all capital programme management arrangements.
- To inform its capital programme, the Council learns from and compares its position with similar councils. For example, the delivery team for the Crossrail Project carried out a site visit to Manchester City Council to learn from its experience of building a city centre tram system.
- the Council shares and applies some lessons learned from its capital projects; for example, the analysis within the Annual Wellbeing Report contributes to the setting of the Council's priorities and actions for

improvement for the year ahead, which are set out in the Council's Corporate Plan.

- to capture learning, project delivery teams have wash-up meetings and reflect on project delivery within directorates. However, at a corporate level the focus is on the Council's major projects and the Council does not systematically share experience and learning from completed capital projects across the organisation.
- if the Council does not consistently share experience and learning across the organisation, mistakes may be repeated, and planning of future capital projects may not benefit from good practice experienced during previous capital projects. And if the Council does not review capital programme management arrangements systematically, it cannot be assured that its capital programme management arrangements are achieving value for money.

Our recommendations for the Council

Exhibit 3: our recommendations for the Council

Recommendations

- R1 – The Council should review its business case templates and guidance, as well as any other guidance for planning capital projects to ensure they can be consistently applied where appropriate.
- R2 – The Council should review its arrangements for evaluating the benefits of completed capital projects to ensure it assesses whether the desired outcomes of a project have been achieved. The Council should ensure that due regard is given to proportionality of these assessments.
- R3 – The Council should improve its arrangements for sharing information on completed capital projects, to ensure both good and areas for improvement are captured, and learning consistently shared across the organisation.
- R4 – The Council should ensure it systematically reviews the effectiveness of all its capital programme management arrangements. Each arrangement should be reviewed at a frequency proportionate to the level of risk of the capital projects under that arrangement.

Appendix 1

Audit questions and criteria

Exhibit 5: main audit question

Does the Council have proper arrangements in place to secure value for money in the development and delivery of its capital programme?

Level 2 questions

Audit Criteria⁸ (what we are looking for)

2.1 Does the Council have robust arrangements to plan its capital programme?

- In developing its capital programme and strategy the Council:
 - Involves an appropriate range and diversity of voices (including other organisations/members representatives of groups who share protected characteristics.)
 - Considers how it will deliver longer term aims (i.e. its well-being objectives) and how it can deliver a range of benefits.
 - Sets out the outcomes it is seeking to achieve and how it will monitor their achievement.
 - Identifies the resources needed to deliver the strategy over the short, medium, and longer-term and considers the affordability and revenue implications of its programme.
 - Understands the impact of borrowing (Capital Financing Requirement) over the short, medium and longer term, and this is factored into its medium-term financial plan.

- When planning individual capital projects, the Council:
 - Involves an appropriate range and diversity of voices.
 - Considers how it will deliver longer term aims (i.e. those in the strategy and its well-being objectives) and how it can deliver a range of benefits.
 - Works with others (internal and external) to deliver those benefits.
 - Sets out the outcomes it is seeking to achieve and how it will measure the value for money of the project over the short, medium, and long-term.
 - Identifies the resources/borrowing needed to deliver the project over the short, medium, and longer term (whole life costs) and how it will manage risks/ meet those costs supported by reasonable financial assumptions.
 - Identifies key project risks and how they will be managed.
 - Sets out clear timescales for delivery.

⁸ Our audit criteria have been informed by our cumulative knowledge of previous audit work as well as the question hierarchy and positive indicators we have developed to support our sustainable development principle examinations.

Level 2 questions

Audit Criteria⁸ (what we are looking for)

2.2 Does the Council have effective arrangements to monitor and manage the delivery of its capital programme?

- The Council regularly monitors the delivery of its capital programme and individual projects from a value for money perspective including:
 - Delivery of projects to time and budget
 - The impact of completed projects in relation to the Council's short, medium, and long-term objectives.
- The Council takes action where projects are not being delivered within budget and/or on time.
- The Council has a track record of delivering projects on-time and within budget.
- There is regular reporting of the Council's progress in delivering its capital programme.
- The Council evaluates whether capital projects realised their intended benefits.

2.3 Does the Council review the effectiveness of its capital programme management arrangements?

- The Council regularly reviews the effectiveness of capital programme management arrangements including:
 - the economy, efficiency, and effectiveness of arrangements in helping the Council to achieve its strategic objectives.
- The Council learns from and compares its position with other similar councils (e.g. Core Cities group), for example to understand how its borrowing compares to others.
- The Council shares and applies any lessons learned from the development and delivery of its capital programme widely across the organisation, and with partners where relevant.



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