



REPORT TO EXECUTIVE

Agenda item
16 (d)

PORTFOLIO AREA: POLICY, PERFORMANCE MANAGEMENT, FINANCE AND RESOURCES

Date of Meeting: 29 September 2003

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

Title: REVIEW OF FINANCIAL LIMITS AND DELEGATIONS
2003/04
Report of: The Head of Finance
Report reference: FS12/03

Summary:

The report sets out proposals for the review of financial limits and delegations and for appropriate changes to be made to the Council's Constitution to reflect those changes.

Recommendations:

1. The Executive is requested to consider and recommend to Council that amendments to the Council's Constitution be made as follows:
 - (i) That the title Head of Finance replaces the title Head of Financial Services.
 - (ii) That the Key Decision Limit is raised to £60,000.
 - (iii) That the virement process as set out in the Financial Procedure Rules be amended as set out in Appendix B.
 - (iv) That the treatment of year-end balance process as set out in the Financial Procedure Rules be amended as set out in Appendix D.
 - (v) That the invitation to tender provisions set out in the Contract Procedure Rules be amended as set out in Appendix F.

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

2. That the Corporate Resources Overview and Scrutiny Committee consider the recommendations at their meeting on 18th October, and their comments are fed back to the Executive on 27th October, prior to final recommendations being made to Council on 4th November 2003.
3. That, if the changes to the Constitution are approved by Council, the Head of Legal and Democratic Services be authorised to amend the Constitution accordingly and arrange for the publication of any changes to the Key Decision Financial threshold.

Contact Officer: Angela Brown

Ext: 7299

CITY OF CARLISLE

To: The Executive
29 September 2003

FS12/03

REVIEW OF FINANCIAL LIMITS AND DELEGATIONS 2003/04

1. BACKGROUND

- 1.1 The current financial limits and delegations were agreed by Council on 11 September 2001, and form part of the Council's Constitution. Good practice dictates that Financial delegations and regulations are reviewed regularly, and now that the new authority management structure is in place, it is considered an opportune time to review the existing rules and recommend any changes in the light of experience to date.
- 1.2 Following the review, it is concluded that the majority of the Financial Procedure Rules are adequate and do not require alteration at this time. However, it is considered that there are a number of changes that would lead to more efficient and effective working practices and use of Member and Officer time.
- 1.3 The main limits that will be considered as part of this report are therefore:
- (i) Key Decision Limit;
 - (ii) Financial Procedure Rules – Virement;
 - (iii) Financial Procedure Rules – Treatment of Year-End Balances
 - (iv) Contract Procedure Rules – Invitation to Tender.
- 1.4 Throughout this report, and indeed throughout the Council's Financial Procedure Rules, reference is made to the Chief Finance Officer. This is statutory terminology to describe an authority's S151 officer, and who in Carlisle City Council is the Head of Finance. An anomaly also exists in the rest of the Council's Constitution in that the Head of Finance is described as the Head of Financial Services. **It is therefore recommended that the Constitution be amended to reflect the title Head of Finance.**

2. KEY DECISION LIMIT

2.1 In financial terms, a Key Decision (as set out in Article 13 of the Constitution) is one that is 'likely to result in the incurring of expenditure, which is, or the making of savings, which are **significant** having regard to the authority's budget for the services or functions in question'. A decision may also be key if it is significant in terms of its effects on communities living or working in an area comprising two or more wards or electoral divisions.

2.2 The City Council's current financial key decision limit is £30,000.

2.3 Statutory guidance suggests that authorities should agree financial thresholds, and check that there is consistency between neighbouring authorities at the same tier.

2.4 A review of the Key Decision limits of a number of other authorities was therefore undertaken to establish whether the Council's existing £30,000 limit appears reasonable. Information was obtained from an LGIU study from October 2002, and this was supplemented by information received from most of the Council's neighbouring authorities. In total, details from 8 comparable authorities were reviewed, and although each authority has slightly different arrangements, the overall limits set were:

£30,000	- 2 authorities (including Carlisle)
£40,000	- 1 authority (neighbour)
£50,000	- 4 authorities (2 neighbours)
£100,000	- 2 authorities (not neighbouring authorities)

2.5 From the above, it can be seen that Carlisle's current limit of £30,000 is joint lowest (and the other authority has a significantly lower Net Revenue Expenditure to Carlisle's). £50,000 is the most frequently applied limit in the sample (and is the limit of two of the neighbouring authorities). However it is considered likely that when these authorities review their limits, the limits will be reviewed upwards. **It is therefore proposed that Carlisle's limit be raised from £30,000 to £60,000.**

2.6 The advantage of raising the limit is that fewer relatively insignificant decisions will need to be referred through the political process to Council, and this will free up both Officer and Member time to concentrate on the bigger, and more strategic issues. The counter-balance to this is that issues that have a significant effect on Communities (whether below the financial thresholds or not) will still need to be referred to the Executive or Council for approval.

3. VIREMENT

- 3.1 The current virement rules as set out in the Financial Procedure Rules are set out in **Appendix A** for information.
- 3.2 The principal objective of the virement rules is to ensure that budgets are managed with a degree of flexibility within the overall policy framework determined by the Council, and therefore ensure the optimum use of resources. Currently it is not considered that this objective is being met in full. For example, the position regarding year-end positive variations against budget could potentially be improved (together with improvements that are being made to the base level budget estimates) with a further degree of flexibility in re-allocating surplus resources within existing objectives. Consequently more of the Council's overall objectives would be achieved.
- 3.3 No national comparative information could be found on virement limits, possibly due to the fact that rules and limits are often very different between individual authorities. However information was received from most of Carlisle 's neighbouring authorities. Although each authority has slightly different arrangements, a general overall analysis of the sample showed:

Virements:	Range	Carlisle's Current Limit
requiring Council approval	£25,000 to £100,000	£30,000
requiring Executive approval	£5,000 to £30,000	£10,000

NB. Virements could be actioned by Officers / Portfolio Holders below the above levels.

- 3.4 The main changes proposed to Carlisle's financial limits are summarised in the table below:.

Approval Of:	Current Limit £	Proposed Limit £
Portfolio Holders/Heads of Service	£10,000	30,000
Executive	30,000	60,000
Council	Over 30,000	Over 60,000

- 3.5 In addition to the increases in financial limits, it is also proposed that subject to appropriate consultation, approval by the appropriate Executive Directors, and formal authorisation of the Chief Finance Officer (i.e. Head of Finance), that the above revised limits also apply to virements that take place :
- (i) Between budgets of different accountable Portfolio Holders and Heads of Service
 - (ii) Between controllable and uncontrollable costs (as determined by the Chief Finance Officer)

This is a significant change from existing rules, which currently require all such virements to be authorised by a formal Executive / Council meeting.

- 3.6 It is considered that the proposed changes to the virement rules will result in a better use of overall financial resources and assist in the achievement of more of the Council's objectives. It will also free up both Officer and Member time in that formal reporting through the political process will not be necessary in as many circumstances. The counter-balance to this is that tighter Key Controls have been introduced e.g. formal authorisation, and recommended suspension of the scheme if overall budgetary constraints should necessitate it, by the Head of Finance. In addition the Executive and Corporate Resources Overview and Scrutiny will continue to receive monitoring reports on which they can comment formally.
- 3.7 The proposed changes to the virement provisions in the Councils Financial Procedure Rules are set out in **Appendix B** (on which all main changes have been highlighted), and the Executive are asked to recommend these changes to Council for approval.

4. TREATMENT OF YEAR-END BALANCES

- 4.1 The current rules are attached at **Appendix C**.
- 4.2 Very little information was available for comparison, and the rules have therefore been reviewed in the light of experience and any problems in the operation of the existing rules to date. In particular the concerns expressed by both the Executive and the Corporate Resources Overview and Scrutiny Committee in connection with the year-end carry forward requests from 2002/03 have been taken into account in recommending any changes to procedures.
- 4.3 There are a number of changes highlighted in the proposed procedures as set out in **Appendix D**. Many of the changes highlighted are simply to clarify existing procedures, however the main changes to the current procedures which the Executive are asked to recommend to Council for approval are:

- That the Chief Finance Officer be given authority to authorise carry forward requests in full where it relates to a specific committed item of expenditure where, due to external or other factors, Heads of Service have been unable to spend the approved budget by 31st March. The use of the resource will be restricted to the purpose for which the estimate was originally approved.
- That the Chief Finance Officer comment formally to the Executive, Corporate Resources Overview and Scrutiny Committee and Council on proposals for carry forward where the proposal is to vire the budget carried forward to be used for purposes other than that originally intended.

5. CONTRACT PROCEDURE RULES – FINANCIAL LIMITS

5.1 The current rules are set out in **Appendix E** attached.

5.2 Following the past two years' operation of these limits, there is some evidence from officers that the financial limits are considered too low. Comparative information has been received from 4 neighbouring authorities, and their range of financial limits together with Carlisle's current and proposed limits is shown below.

Process to be followed	Comparator Authority Ranges £	Carlisle Current Limit £	Carlisle Proposed Limit £
Ten Days Public Notice - national	100,000	>150,000	>150,000
Ten Days Public Notice - local	25,000 to 50,000	>30,000	>60,000
Written Invitation to tender (3)	10,000 to 25,000	> 10,000	>30,000
Three Quotations	5,000 to 10,000	>2000	>10,000

5.3 It is considered that increasing the financial limits as set out above will reduce the administrative burden of the tendering process and allow officers slightly more flexibility in awarding contracts whilst still retaining the limits at a reasonable level to ensure that the Council achieves value for money overall. The rules have been further tightened to require the approval of the appropriate Executive Director in the selection of firms invited to quote/tender for work, and further monitoring procedures will be introduced.

5.4 A further change is proposed in that the approval to go out to less than three quotations for specialist supplies would be given by the appropriate Executive

Directors for supplies up to £30,000, but would still require formal Executive approval for supplies over £30,000. Award of contracts other than to the lowest tender will still require the formal approval of the Executive.

- 5.5 The proposed changes to the Contract Procedure Rules as summarised above, are highlighted in **Appendix F**, and the Executive are asked to recommend these to Council for approval.

6. CONSULTATION

Corporate Resources Overview and Scrutiny Committee will consider this report on 16 October 2003, and their comments will be fed back to the Executive on 27th October, prior to final consideration by Council on 04 November.

7. RECOMMENDATIONS

- 7.1 The Executive is requested to consider and recommend to Council that amendments to the Council's Constitution be made as follows:

- (i) That the title Head of Finance replaces the title Head of Financial Services.
- (ii) That the Key Decision Limit is raised to £60,000.
- (iii) That the virement process as set out in the Financial Procedure Rules be amended as set out in Appendix B.
- (iii) That the treatment of year-end balance process as set out in the Financial Procedure Rules be amended as set out in Appendix D.
- (iv) That the invitation to tender provisions set out in the Contract Procedure Rules be amended as set out in Appendix F.

- 7.2 That the Corporate Resources Overview and Scrutiny Committee consider the recommendations at their meeting on 18th October, and their comments are fed back to the Executive on 27th October, prior to final recommendations being made to Council on 4th November 2003.

- 7.3 That, if the changes to the Constitution are approved by Council, the Head of Legal and Democratic Services be authorised to amend the Constitution accordingly and arrange for the publication of any changes to the Key Decision Financial threshold.

8. IMPLICATIONS

- Staffing/Resources – None
- Financial – As set out in the report

- Legal – The Head of Legal and Democratic Services comments:
 - (i) The proposals are in effect recommending changes to the various procedure rules forming part of the Council's constitution and therefore need the approval of the full Council following a report on the proposed changes by the Monitoring Officer. This report is intended to fulfil that requirement.
 - (ii) It was always envisaged that the limits would need to be reviewed periodically once the new Constitution had been put in place in the light of operating experience. ODPM guidance also envisages that flexibility will be built into the Financial Procedure Rules to enable movement of money between budget heads, subject to overall safeguards reserved to the Council to set the global budget. It is a matter for the full Council to be satisfied that the proposed limits are acceptable in providing a balance between overall control and avoiding the current necessity of relatively minor spending decisions being referred to full Council.
 - (iii) If the key decision financial limit is raised the Leader will also perhaps need to give some thoughts to his current scheme of delegation to follow the changes through but this is, of course, a matter entirely for him.
 - (iv) If changes are made to the key decision threshold, then it will be necessary to publish the changes.
- Corporate – The report has been considered by CMT members and SFPG.
- Risk Management – It is considered that there are sufficient Key Controls in place to minimise any risk of loss of budgetary control from raising the relevant financial limits. Internal Audit have been consulted on the changes and have no reservations on the proposals.
- Equality Issues – None
- Environmental – None
- Crime and Disorder – None

A BROWN
Head of Finance

Contact Officer: A Brown

Ext: 7299

Current Virement Rules

Managing Expenditure - Scheme of virement

Why is this important?

The scheme of virement is intended to enable the Executive, Portfolio Holders, Heads of Service and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

Key controls

The scheme of virement is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Council.

The overall budget is agreed by the Executive and approved by the Council. The Executive, Portfolio Holders, Heads of Service and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure. For the purposes of this scheme, a budget head is considered to be the Service Objective level as set out in the annual Revenue Estimates Booklet.

Virement must not create additional overall budget liability. The Executive, Portfolio Holders and Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not incur recurring expenditure from one-off sources of savings or additional income, nor create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Budget managers must plan to fund such commitments from within their own budgets.

Responsibilities of the Chief Finance Officer

To prepare jointly with the Head of Service a report to the Executive where virement in excess of £10,000 is proposed, or to the Council for sums in excess of £30,000.

To comment formally on the proposed exercise of virement for items under £10,000.

To monitor and report to the Executive on the exercise of virement on a quarterly basis.

Responsibilities of the Executive, Portfolio Holders and Heads of Service

The Executive, a Portfolio Holder or Heads of Service may exercise virement on budgets under their control for amounts up to £10,000 on any budget head during the year, following notification to the Chief Finance Officer and in consultation with each other under arrangements agreed by the Council and set out below.

Amounts greater than £10,000 require the approval of the Executive, following a joint report by the Chief Finance Officer and the Head of Service, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years. Amounts greater than £30,000 require the approval of the Council.

The prior approval of the Executive is required for any virement, of whatever amount, where it is proposed to:

- vire between budgets of different accountable Executive Members
 - vire between budgets managed by different Heads of Service
- and by the Council if the proposal exceeds £30,000.

Virement that is likely to impact on the level of service activity of another Head of Service should be implemented only after agreement with the relevant Head of Service.

No virement relating to a specific financial year can be made after 31 March in that year. (Refer to treatment of year-end balances section below).

Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- the amount is used in accordance with the purposes for which it has been established
- the Executive has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of amounts provided should be reported to the Executive.

Proposed Virement Rules (Main changes are highlighted)

Managing Expenditure - Scheme of Virement

Why is this important?

The scheme of virement is intended to enable the Executive, Portfolio Holders, Heads of Service and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the Council, and therefore to optimise the use of resources.

Key controls

The scheme of virement is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from this scheme requires the approval of the Council.

The overall budget is agreed by the Executive and approved by the Council. The Executive, Portfolio Holders, Heads of Service and budget managers are therefore authorised to incur expenditure in accordance with the estimates that make up the budget. The rules below cover virement; that is, switching resources between approved estimates or heads of expenditure.

Virement must not create additional overall budget liability. The Executive, Portfolio Holders and Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently. For example, they should not incur recurring expenditure from one-off sources of savings or additional income, nor create future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources. Budget managers must plan to fund such commitments from within their own budgets.

Virement that is likely to impact on the level of service activity of another Head of Service should be implemented only after agreement with the relevant Head of Service.

No virement relating to a specific financial year can be made after 31 March in that year. (Refer to treatment of year-end balances section below).

Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- the amount is used in accordance with the purposes for which it has been established

- the Executive has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of amounts provided should be reported to the Executive.

The virement limits apply equally to:

- virements between budgets of different accountable Portfolio Holders/Heads of Service (although relevant Executive Director approval will be required).
- virements from either controllable or uncontrollable budgets (as determined by the Chief Finance Officer).

The virement limits apply in total i.e. a maximum of £30,000 from any one budget head per annum can be vired without the approval of the Executive or Council.

The Chief Finance Officer may recommend that the virement procedures be suspended if overall corporate budgetary constraints should necessitate it.

Responsibilities of the Chief Finance Officer

To prepare jointly with the Head of Service a report to the Executive where virement in excess of £30,000 is proposed, or to the Council for sums in excess of £60,000.

To authorise all proposed exercise of virement for items under £30,000 (in all cases a formal virement request form must be completed).

To

To ensure that the limit applies in total i.e. a maximum of £30,000 from any one budget head per annum can be vired without the approval of the Executive or Council.

To monitor and report to the Executive and the Corporate Resources Overview and Scrutiny Committee on the exercise of virement on a quarterly basis.

Responsibilities of the Executive, Portfolio Holders and Heads of Service

The Executive, a Portfolio Holder or Heads of Service may exercise virement on budgets under their control for amounts up to £30,000 on any budget head during the year. Prior authorisation is required from the Chief Finance Officer together with completion of the formal virement request form. Formal consultation with other Heads of Service and Portfolio Holders will be required as appropriate.

Amounts greater than £30,000 require the approval of the Executive, following a joint report by the Chief Finance Officer and the Head of Service, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years.

Amounts greater than £60,000 require the approval of the Council.

Current Rules

Treatment of year-end balances

Why is this important?

The Council's scheme of virement is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from the scheme of virement (as set out above) requires the approval of the Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.

Key controls

Appropriate accounting procedures will be set by the Chief Finance Officer to ensure that carried-forward totals are correct.

Responsibilities of the Chief Finance Officer

To administer the scheme of carry-forward within the guidelines approved by the Council.

To report all overspending and underspending on service estimates carried forward to the Executive and to the Council.

Responsibilities of Heads of Service

Any overspending on service estimates in total on budgets under the control of the Head of Service must be carried forward to the following year, and will constitute the first call on service estimates in the following year, unless the Council subsequently determines otherwise by way of a supplementary estimate. The Chief Finance Officer will report the extent of overspending carried forward to the Executive and to the Council.

Net underspending on service estimates under the control of the Head of Service may be carried forward, subject to:

reporting to the Executive the source of the underspending or additional income and the proposed application of those resources

the approval of the Council where the underspending exceeds £10,000.

All internal business unit surpluses and any undistributed profits shall be earmarked within the Council's reserves and retained for the benefit of the Council. Their application shall require the approval of the Executive up to £10,000 and the Council over £10,000.

Proposed Rules (main changes are highlighted)**Treatment of year-end balances****Why is this important?**

The rules below cover arrangements for the transfer of resources between one accounting year to another, i.e. a carry-forward. The scheme is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from the scheme requires the approval of the Council.

Key controls

All requests for carry forward of unspent budgets must be submitted to the Chief Finance Officer.

Appropriate accounting procedures will be set by the Chief Finance Officer to ensure that carried-forward totals are correct. Underspendings or savings will be calculated by reference to controllable costs as determined by the Chief Finance Officer, and no carry forward requests will be authorised without Executive and Council approval where a Business Unit overspends its controllable budget.

The accounting mechanism for the carry forward is the granting of a supplementary estimate funded from underspends or savings in the previous year.

The Chief Finance Officer may recommend the procedures for carry forward be suspended if overall corporate budgetary constraints should necessitate it.

Responsibilities of the Chief Finance Officer

To administer the scheme of carry-forward within the guidelines approved by the Council.

To report all overspending and underspending on service estimates carried forward to the Executive, Corporate Resources Overview and Scrutiny Committee and to the Council.

To authorise carry forward requests in full where it relates to a specific committed item of expenditure where, due to external or other factors, the Head of Service has been unable to spend the approved budget by 31st March. The use of the resource will be restricted to the purpose for which the estimate was originally approved.

To comment formally to the Executive, Corporate Resources Overview and Scrutiny Committee and Council on proposals for carry forward where the proposal is to vire the budget carried forward to be used for purposes other than that originally intended.

Responsibilities of Heads of Service

Any overspending on service estimates in total on budgets under the control of the Head of Service must be carried forward to the following year, and will constitute the first call on service estimates in the following year, unless the Council subsequently determines otherwise by way of a supplementary estimate. The Chief Finance Officer will report the extent of overspending carried forward to the Executive, Corporate Resources Overview and Scrutiny Committee and to the Council.

Net underspending / savings on service estimates under the control of the Head of Service may be carried forward, subject to:

- the authorisation of the Chief Finance Officer where the expenditure is committed and the use of the resource is restricted to the purpose the budget was originally provided for.
- reporting to the Executive, Corporate Resources Overview and Scrutiny Committee and Council the request for carry forward where the use of the resource is intended to be used for a purpose not as originally intended.

In accordance with the Council's Corporate Charging Policy, and as an incentive to Managers, any additional income over and above the budget target agreed by the Chief Finance Officer will be shared on a request for carry forward by the Head of Service. This is on the basis of 75% returning to the Council's corporate reserves and 25% being retained for use in the service area, but with a limit of £10,000 being retained by the service to avoid distortion of the Council's overall spending priorities. Any amounts required over £10,000 will be subject to a report to the Executive, Corporate Resources Overview and Scrutiny Committee and Council.

All internal business unit surpluses and any undistributed profits shall be earmarked within the Council's reserves and retained for the benefit of the Council. Their application shall require the approval of the Executive up to £10,000 and the Council over £10,000.

Contracts Procedure Rules – Current

CONTRACTS STANDING ORDERS (EXTRACTS)

1. COMPLIANCE WITH STANDING ORDERS

- (3) (a) The Executive Member holding the relevant spending portfolio, is first consulted where practicable in the case of expenditure exceeding £2,000 but not exceeding £30,000.

4. INVITATION TO TENDER

- (1) Except as otherwise provided in Contracts Standing Orders 1 and 5 or in this Contracts Standing Order no contract for the supply of goods or materials or for the execution of works or the provision of services whether to be supplied or executed at any one time or during a specified period:
- (a) the estimated amount or value of which exceeds £30,000 shall be made unless at least ten days' public notice inviting tenders has been given in one or more local newspapers circulating in the district and also, whenever the estimated amount or value of the contract exceeds £150,000 in one or more newspapers or journals circulating among such persons as undertake such contracts;
- (b) the estimated amount or value of which exceeds £10,000 but does not exceed £30,000 shall be made unless an invitation to tender has been given in writing to at least three persons, firms or companies selected by the appropriate Head of Service;
- (c) the estimated amount or value of which exceeds £2,000 but does not exceed £10,000 shall be made unless quotations in writing from at least three persons, firms or companies have been obtained by the appropriate Head of Service having regard where appropriate to any lists maintained under Contracts Standing Order 5.
- (2)(a) In the case of a contract for the supply of goods or materials of a specialised nature or the execution of work of a specialised nature the appropriate Head of Service may, with the approval of the Executive or appropriate Committee invite tenders from two or more persons, firms or companies usually engaged in the performance of contracts of a nature similar to that proposed.
- (b) If it appears to the appropriate Head of Service that there is only one possible contractor or supplier in respect of any given contract, he may, with the approval of the Executive or appropriate Committee invite and accept a tender from a single person, firm or company.

Contracts Procedure Rules – Proposed (Main Changes are Highlighted)

CONTRACTS STANDING ORDERS (EXTRACTS)

1. COMPLIANCE WITH STANDING ORDERS

- (3) (a) The Executive Member and Executive Director holding the relevant spending portfolio, is first consulted where practicable in the case of expenditure exceeding £10,000 but not exceeding £60,000.

4. INVITATION TO TENDER

- (1) Except as otherwise provided in Contracts Standing Orders 1 and 5 or in this Contracts Standing Order no contract for the supply of goods or materials or for the execution of works or the provision of services whether to be supplied or executed at any one time or during a specified period:
- (a) The estimated amount or value of which exceeds £60,000 shall be made unless at least ten days' public notice inviting tenders has been given in one or more local newspapers circulating in the district and also, whenever the estimated amount or value of the contract exceeds £150,000 in one or more newspapers or journals circulating among such persons as undertake such contracts;
- (b) The estimated amount or value of which exceeds £30,000 but does not exceed £60,000 shall be made unless an invitation to tender has been given in writing to at least three persons, firms or companies selected by the appropriate Head of Service in consultation with the appropriate Executive Director;
- (c) The estimated amount or value of which exceeds £10,000 but does not exceed £30,000 shall be made unless quotations in writing from at least three persons, firms or companies have been obtained by the appropriate Head of Service in consultation with the appropriate Executive Director, having regard where appropriate to any lists maintained under Contracts Standing Order 5.
- (2)(a) In the case of a contract for the supply of goods or materials of a specialised nature or the execution of work of a specialised nature the appropriate Head of Service may, with the approval of the appropriate Executive Director for supplies up to £30,000 or the Executive for supplies over £30,000, invite tenders from two or more persons, firms or companies usually engaged in the performance of contracts of a nature similar to that proposed.
- (b) If it appears to the appropriate Head of Service that there is only one possible contractor or supplier in respect of any given contract, he may, with the approval of the appropriate Executive Director for supplies up to £30,000 or the Executive for supplies over £30,000 invite and accept a tender from a single person, firm or company.

**EXCERPT FROM THE MINUTES OF THE
EXECUTIVE
HELD ON 29 SEPTEMBER 2003**

EX.223/03 REVIEW OF FINANCIAL LIMITS AND DELEGATIONS (Key Decision)

Portfolio Policy, Performance Management, Finance and Resources

Subject Matter

To consider a report from the Head of Finance (FS.12/03) setting out recommendations following a review of financial limits and delegations and which would require appropriate changes to be made to the Council's Constitution.

Changes were recommended as follows:-

- (a) References to the Chief Finance Officer and Head of Financial Services be amended to read Head of Finance.
- (b) Key Decision Limit - the financial limit for key decisions to be included in the Forward Plan be increased from £30,000 to £60,000.
- (c) Virement Rules - the financial limits for virements be increased as follows:-
 - (i) Portfolio Holders/Heads of Service - Increase from £10,000 to £30,000;
 - (ii) Executive - Increase from £30,000 to £60,000;
 - (iii) Council - approval required for virements over £60,000 (currently over £30,000).

In addition, subject to a appropriate consultation, a approval by the appropriate Executive Directors, and formal authorisation of the Head of Finance, the above revised limits also apply to virements between budgets of different accountable Portfolio Holders and Heads of Service and between controllable and uncontrollable costs as determined by the Head of Finance.

- (d) Treatment of Year End Balances
 - (i) The Head of Finance be given authority to authorise carry forward requests in full where they relate to a specific committed item of expenditure where, due to external or other factors, Heads of Service have been unable to spend the approved budget by the end of the financial year. The use of the resource will be restricted to the purpose for which the estimate was originally approved.

- (ii) The Head of Finance comment formally to the Executive, Corporate Resources Overview and Scrutiny Committee and the City Council on proposals for carry forward where the proposal is to vire the budget carried forward to be used for purposes other than originally intended.
- (e) Contract Procedure Rules - Financial Limits
Increases in the financial limits in respect of contracts be amended as follows:-
 - (i) Ten days public notice - national - retain existing limit of £150,000;
 - (ii) Ten days public notice - local - increase from £30,000 to £60,000;
 - (iii) Written invitation to tender (3) - Increase from £10,000 to £30,000;
 - (iv) Three Quotations - Increase from £2,000 to £10,000.

In addition, approval of the appropriate Executive Director will be required in the selection of firms invited to quote/tender for work and further monitoring procedures will be introduced.

Approval to go out to less than three quotations for specialist supplies would be given by the appropriate Executive Director for supplies up to £30,000, but would still require formal Executive approval for supplies over £30,000. Award of contracts other than to the lowest tender will still require the formal approval of the Executive.

The report would be submitted to the Corporate Resources Overview and Scrutiny Committee on 16 October 2003 with comments being reported back to Executive on 27 October 2003 prior to final consideration by the City Council on 4 November 2003.

Summary of options rejected

None

DECISION

1. That the Executive intend to recommend to the City Council amendments to the Council's Constitution as follows:-
 - (a) the title Head of Finance replaces the title Head of Financial Services;
 - (b) the key decision limit be raised to £60,000;
 - (c) the virement process as set out in the Financial Procedure Rules be amended as set out in Appendix B to Report FS.12/03;
 - (d) the treatment of year end balance process as set out in the Financial Procedure Rules be amended as set out in Appendix B to Report FS.12/03;
 - (e) the invitation to tender provisions set out in the Contract Procedure Rules be amended as set out in Appendix F to Report FS.12/03.

2. That the Corporate Resources Overview and Scrutiny Committee be requested to consider the recommendations at their meeting on 16 October 2003, and their comments be fed back to the Executive on 27 October 2003, prior to final recommendations being made to the City Council on 4 November 2003.
3. That if the changes to the Constitution are approved by the City Council, the Head of Legal and Democratic Services be authorised to amend the Constitution accordingly and arrange for the publication of any changes to the key decision financial threshold.

Reasons for Decision

Following consideration of any observations from the Corporate Resources Overview and Scrutiny Committee, the City Council will be recommended to change certain financial limits and delegations within the Council's Constitution which would lead to more efficient and effective working practices and use of Member and Officer time.

**EXCERPT FROM THE MINUTES OF THE
CORPORATE RESOURCES OVERVIEW AND
SCRUTINY COMMITTEE
HELD ON 16 OCTOBER 2003**

CROS.124/03 REVIEW OF FINANCIAL LIMITS AND DELEGATIONS

The Executive had on 29 September 2003 considered a report of the Head of Finance (FS.12/03) detailing proposals for the review of financial limits and delegations, which would require appropriate changes to be made to the Council's Constitution. That report, together with the Executive's intended recommendations, was referred to this Committee for comment, prior to final consideration by the City Council on 4 November 2003.

The changes recommended were as follows:

- (a) The title Head of Finance to replace the title Head of Financial Services.
- (b) The financial limit for key decisions to be included within the Forward Plan be increased from £30,000 to £60,000.
- (c) The virement process, as set out in the Financial Procedure Rules, be amended as detailed in Appendix B to report FS.12/03.
- (d) The treatment of the Year End Balance process as set out in the Financial Procedure Rules be amended as detailed in Appendix B to report FS.12/03
- (e) The invitation to tender provisions set out in the Contract Procedure Rules be amended as detailed in Appendix F to report FS.12/03.

A Member expressed concern at the proposed change in the key decision limit and sought an assurance that issues of importance would remain key decisions even if they fell beneath the £60,000 limit. She was particularly concerned that the role of Overview and Scrutiny may be diminished as a result of the proposed increase.

At the invitation of the Chairman, the Policy, Performance Management, Finance and Resources Portfolio Holder commented that a good deal of the pressure to increase financial limit for key decisions had come from himself. He felt that a great deal of time was currently being spent on issues of a lesser financial value and would rather Overview and Scrutiny, the Executive and City Council devoted that time to issues of most importance.

RESOLVED – That this Committee endorses the recommendations contained within report FS.12/03, subject to an assurance being given that issues of appropriate importance falling beneath the revised financial limit for key decisions of £60,000 could remain key decisions under the present definition of such.