

FULL COUNCIL – 11 DECEMBER 2018

CONSTITUTION CHANGES – FINANCIAL PROCEDURE RULES ADDENDA

Report by Director of Law & Governance

Introduction

1. Following a review of capital governance, changes are required to the Capital Financial Procedure Rules to support and facilitate the new governance arrangements. This requires a change to the Constitution.
2. The Capital Financial Procedure Rules set out the approval levels for capital projects to enter the capital programme and any subsequent changes to those projects. The rules mainly apply to capital projects that enter the programme in-year as some projects are approved by Council through the annual Service & Resource Planning process.

Current Approval Levels

3. The current approval levels are shown in the two tables below. There are main approval levels that apply to the Stage 0 Business Case (programme entry), Stage 1 Business Case (Detailed Design & Procurement) and any cost variations (at any stage in the project). Secondary levels are in place for the Stage 2 Business Case (Contract Let) if there is no change in scope or cost.

Current – Main Levels <i>Business Case Stages 0 & 1 and Cost Variations</i>	
Cabinet	£0.5m+
Director of Finance & Strategic Director for Communities (was Director of Environment & Economy)	£0.025m - £0.5m
Strategic Finance Manager (Strategy & Monitoring)	<£0.025m

Current – Secondary Levels <i>Stage 2 Business Case (contract let) if no change in scope or cost</i>	
Cabinet	£5m+
Director & Director of Finance	£2.5m - £5m
Deputy Director	£1m - £2m
Service Manager	£0.5m - £1m

Service or Cost Centre Manager	<£0.5m
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- The current rules are complex which impacts on compliance and the organisation's ability to easily communicate the process to staff. Also, the financial levels are too low in value (especially in relation to capital projects which tend to be of high value) which results in too many items needing Director of Finance, Strategic Director and Cabinet approval.
- The review of capital governance has established a new structure and the current levels do not grant sufficient decision-making powers to the Community Infrastructure Delivery Board (CIDG).

Proposed Approval Levels

- The table below sets out the proposed financial approval levels. For new capital projects to be approved in-year, the approval level is based on the overall estimated value of the project (the higher the value of the project, the higher the approval level). Once a project is approved to enter the capital programme a financial baseline will be set. The same financial approval values will then be used at all subsequent stages where the cost of the project increases and will be applied on the cumulative cost variation against the agreed baseline.
- Projects that reach a subsequent business case stage without any variation in cost will proceed with sign-off from the Capital Finance Team and the relevant Service Manager.

Proposed Financial Approval Levels		
<i>Levels work in two ways. New Projects are approved based on estimated total value, all subsequent stages are based on any cumulative variation in cost.</i>		
Amount	Approval by	Prior to Approval, papers must be reviewed by
£1m+	Cabinet	CIDG & CIPB
£0.5m – £1m	CIPB	CIDG
£0.050m – £0.5m	CIDG	Local Governance
<£0.050m	Strategic Manager	Finance

Please note that projects approved by CIDG, between £0.250m and £0.5m, can be 'called in' by CIPB for review.

Legal and Financial Implications

- There are no legal implications to this report. No financial costs arise from implementing this decision; and the implications for financial management are set out in the preceding paragraphs.

RECOMMENDATION

Council is RECOMMENDED to approve the changes to the Council's Financial Procedure Rules set out in paragraphs 6 and 7 and to ask the Monitoring Officer to amend the Constitution accordingly.