

CONSTITUTION PRACTICE NOTE

FINANCIAL LIMITS FOR DECISIONS TO BE TAKEN

1. Introduction

- 1.1 The financial limits for different types of decisions to be taken by the Council are specified throughout the Constitution. These may be taken by officers or Councillors.
- 1.2 The details as to how and in what circumstances these decisions can be taken are set out in the relevant part of the Constitution. For ease of reference all these financial limits are set out in paragraphs 2 to 5 of this Practice Note. A copy of it is hyperlinked to each of the sections of the Constitution where a financial limit appears.
- 1.3 When looking for the financial limits that may apply in relation to any decision to be taken, it is important to check whether any other such limits apply to a different part of the decision process. For example, if a decision is required related to an “increase in fees”:
 - a) Under the Officer Scheme of Delegation (see paragraphs 3.1 & 3.2 below):
Cabinet approval is not required for an increase in income of less than £50,000 in a full year, yet is for an increase between £50,000 and £250,000; but
 - b) Under the Key Decisions rules (see paragraph 2 below):
Cabinet approval is required if the increase represents the lower of £200,000 or 20% or more of the relevant expenditure or income budget for the service to which it relates.
 - c) For example, this means that whilst a fee increase of less than £200,000 is not a key decision it will nevertheless require Cabinet approval because of the restrictions in the officer scheme of delegation.
- 1.4 If you have any doubts as to how to apply these limits please seek advice from the Legal & Democratic Services Manager or the Democracy Team Manager. However, we hope that putting all these limits in one place, without your needing to search for them, will make it easier to identify which will apply.

2. Article 14 in Part 2.14.4(a) - Key Decisions

- 2.1 This is a decision taken by the Leader, Cabinet or delegated by it to a Committee, individual Cabinet Member, or an officer which:
Will result in the Council incurring expenditure or making savings (including the generation of income) which represents the lower of:
 - a) **£200,000** or
 - b) **20% or more** of the relevant expenditure or income budget for the service affected by the decision.

- 2.2 A further Practice Note has been issued that explains the process and procedure for such decisions to be taken.

3. Part 3.4 - Officer Scheme of Delegation

- 3.1 **Paragraph 1(b)(xvii) - new fees and charges.** The scheme authorises the Chief Executive and Directors, in consultation with the relevant Cabinet Member, to establish the level of any such fees and charges for any service for which they are responsible, provided:
- a) It generates no more than **£50,000** in a full year; **and**
 - b) The average increase in yield or price for the service is at or below the rate of inflation set within the annual budget guidelines.
- 3.2 Where the annual income generated by the change is above this figure approval will be required from Councillors as follows:
- a) **£50K to £250K** - Cabinet
 - b) Over **£250K** - Full Council
- 3.3 **Paragraph 2(b) (xxii) – ex gratia payments.** The Director of Finance can make these provided they amount to no more than **£2,000**.
- 3.4 **Paragraph 2(b)(xxv) –** The Director of Finance can negotiate and agree terms for the property disposals identified provided:
- a) The value is no more than **£200,000**; and
 - b) The Leader of the Council has been consulted
- 3.5 There are a number of restrictions on how this authority can be exercised and include:
- a) **Paragraph (xxxiii)** - Any transactions valued **over £200,000** requires Cabinet approval.
 - b) **Paragraph (xxxiv)** - Prior consultation with the appropriate Cabinet Member is required where the terms of the transaction contains any of those set out in the paragraph.
- 3.6 **Paragraph 2(c)(xxiii) – Payment of certain travelling expenses related to Town Twinning visits.** The Director of Corporate Services can authorise these provided they:
- a) Are more than **25% of the total travelling expenses but less than £500**, and
 - b) The person claiming assistance is from one of the categories specified in that paragraph.
- 3.7 **Paragraph 2(g)(xvii) – Disabled Facilities Grants.** The Director of Public Places and the Public Health and Protection Services Manager are authorised to make these subject to:
- a) Prior consultation with the relevant Cabinet Member, if
 - b) The payment is **to exceed £30,000**.
- 3.8 **Paragraph 2(h)(xvii) – Payments under the Infrastructure Fund.** The Director of Sustainable Communities is authorised to approve these provided:
- a) where the expenditure will be **in excess of £100,000**,
 - b) there is prior consultation with the Cabinet Members for Planning & Economic Development and Finance and the Leader of the Council.

4 Part 4.9 - Financial Rules Appendix 2: Virements and Supplementary Estimates

- 4.1 The following levels of virement are authorised under the rules:
- a) **Up to and including £5,000** - Chief Officers
 - b) **Over £5,000 and up to and including £200,000** - Chief Officers (in consultation with Director of Finance and relevant members)
 - c) **Over £200,000 and up to and including £1m** – Cabinet
 - d) **Over £1m** – Full Council
- 4.2 The following levels of authorisation are included in the rules for the approval of supplementary estimates:
- a) **Up to and including £200,000** - Chief Officers (in consultation with Director of Finance and relevant members)
 - b) **Over £200,000 and up to and including £1m** – Cabinet
 - c) **Over £1m** – Full Council

5 Part 4.10 – Contract Procedure Rules

- 5.1 These rules contain a number of financial thresholds that either define the type of procurement exercise that must be undertaken or specify a financial limit that determines whether an internal control process must be followed, for example a requirement to seek the approval of another officer before a decision can be taken. These are set out below.
- 5.2 The financial thresholds that determine the type of procurement process that must be followed are contained in the rules as follows:
- a) **Less than £20,000**: A single order may be placed – see section 4.10.11 to the rules
 - b) **£20,000 but less than £100,000**: Quotations are required – see section 4.10.12 to the rules
 - c) **£100,00 or more**: Tenders are required – see sections 4.10.13 and 4.10.13 to the rules
 - d) **Exceeds the thresholds set by the European Union (EU)**: The more stringent procurement requirements must be followed. The thresholds are contained in the Procurement Manual and see also section 4.10.15 of the rules.
- 5.3 Where the **value of the procurement exceeds £20,000**, the Procurement Manager must be notified – see rule 4.10.12.5
- 5.4 Where **a quotation received is more than £100,000**, it can only be accepted where the relevant Director complies with the following requirements – see rule 4.10.12.15:
- a) Obtains the approval of the Director of Finance
 - b) Notifies the Procurement Manager in writing as to the approval given including details as to the sum involved (exceeding the £100,00), together with the budget code from which it is intended it is paid.
 - c) In addition, whilst not part of the Contract Procedure Rules, the Director will also need to ensure that they have complied with the requirements of the Financial Rules related to virements and supplementary estimate approvals in Part 4.9 of the Constitution.

- 5.5 Where **expenditure will be over £100,000**, a tender can only be accepted where the relevant Director complies with the following requirements under rule 4.10.13.15:
- a) Agrees that it can be accepted; and
 - b) The reasons for that decision are notified in writing to the Procurement Manager for inclusion in the Compliance Register and to the Legal & Democratic Services Manager.
- 5.6 Where the **evaluation of tenders received relates to tenders that exceed the EU threshold**, if the **tender to be accepted exceeds the budget allocated**, it can only be accepted where it complies with the following requirements in rule 4.10.17.6:
- a) Approval for the additional expenditure is first obtained from the Director of Finance in consultation with the relevant Cabinet Member and Legal & Democratic Services Manager; and
 - b) The decision is also compliant with the requirements of the Financial Rules in Part 4.9 of the Constitution.
- 5.7 Where **any bond** is required in relation to a contract it must not be for less than **10% of the total contract value** unless a different figure is agreed by the Director of Finance – see rule 4.10.19.2
- 5.8 Where a **tender or quotation received is for more than the approved estimate**, it cannot be accepted unless the relevant Director has complied with the following requirements in rule 4.10.23.2:
- a) obtained the approval of the Director of Finance for the additional expenditure; or
 - b) agreed a reduction in the tender or quotation sum with the supplier; or
 - c) agreed to omit an element of the contract requirement but only after consultation and advice from the Procurement Manager, to ensure that:
 - such a change would not be anti-competitive; or
 - undermine the procurement exercise undertaken or lead to a potential challenge; or
 - in any other way prejudice other suppliers that have submitted a tender or quotation