



BUDGET MANAGEMENT & MONITORING: DELEGATION THRESHOLDS

REPORT OF THE CHIEF FINANCE OFFICER

1. PURPOSE OF THE REPORT.

- 1.1 The Council, at its meeting on February 23rd, resolved to change the thresholds of delegation to Cabinet for budget virement and expenditure variations. In the light of this Cabinet needs to consider the extent of delegation to officers. Determination of the levels of delegation to officers is a matter for Cabinet – although it may not exceed the delegation to the Cabinet itself.
- 1.2 The report sets out the 3 principal options of high, medium or low levels of delegation to officers, in relation to the Cabinet's own thresholds.

2. SUMMARY OF THE REPORT.

- 2.1 The Council resolutions from the meeting of February 23rd contain a number of proposals affecting operational arrangements for the management of the Council's revenue budget during 2005/06. In accordance with the Council's scheme of delegation, financial limits have been set on the extent of delegation to Cabinet. The Cabinet has the authority to determine any further limits it wishes to set on the delegation to officers.
- 2.2 The thresholds set by Council relate to two matters:
(i) the ability of the Cabinet to approve additional expenditure or make reductions
(ii) the ability of the Cabinet to approve budget virement.
- 2.3 The ability to approve additional expenditure or make reductions is a power delegated to Cabinet. It would not be appropriate to delegate this further to officers, so no further Cabinet decision is required on this point.
- 2.4 Cabinet may, however, further delegate the approval of virement to officers. This further delegation limit is defined within the Determinations to the Finance Procedure Rules, and is currently set at £100k. Cabinet is asked to decide on whether it wishes to change this figure.
- 2.5 The main issues to be considered when setting the delegation limit to officers are set out overleaf:

2.5.1 *Option 1:* Delegate £100k to Officers. In effect, this is no change, but it would need to be expressed consistently with the way in which virement has been delegated to the Cabinet.

The Council delegation to Cabinet is now £100k, for any controllable budget line in total. Option 1 would set the delegation to officers at the same level as that granted to Cabinet. It would, therefore, be possible for directors to commit the maximum virement against a budget line, leaving Cabinet with no further virement discretion. Any virement requests over the £100k threshold must be agreed by Council. Such an option could be made subject to consultation with Members,

2.5.2 *Option 2:* Set a very low (or nil) delegation threshold for officers.

The ability to vire sums between budget lines is an important element in a Director's options for managing his/her budget. The prohibition of an overspend against a department's budget in total is a key control, and can only be delivered (in practice) by offsetting an underspend in one area against an overspend in another. The level of delegation to officers from Cabinet sets, in effect, the level at which Cabinet wishes to get involved in the day to day management of Departmental budgets.

2.5.3 *Option 3:* A half-way house: some delegation, but less than the current level.

A reduction from the current delegation level could still leave Directors some discretion to manage their budgets through limited virement. In practice, a figure of less than £50k would probably be insufficient for this purpose.

2.5.4 *Option 4:* Restrict the exercise of "virement" by Directors

Current practice makes no distinction between the reasons for any virement. It may be expedient to permit Directors to carry out budget virement for pragmatic, operational reasons – perhaps in consultation with the Cabinet lead member, or the Chief Finance Officer. Cabinet may wish to keep to itself the right to vire to reflect changes in service provision. It is felt that such an option is a more practical way to maintain cabinet oversight than a cash ceiling.

3. **RECOMMENDATIONS TO CABINET**

3.1 The Cabinet is recommended to determine the levels of delegation to Corporate Directors for the purpose of revenue and capital budget management in 2005/06.

4. **FINANCIAL IMPLICATIONS**

4.1 This report is concerned solely with financial issues.

5. **LEGAL IMPLICATIONS**

5.1 The report concerns the operational arrangements for the implementation of the Council's scheme of delegation following the resolutions of the Council at its meeting on February 23rd 2005. (Officer consulted: Peter Nicholls)

6. OTHER IMPLICATIONS

<u>Other implications</u>	<u>Yes/No</u>	<u>Paragraph referred</u>
Equal Opportunities Policy	No	-
Sustainable and Environmental Crime and Disorder	Yes	Throughout the report
Human Rights Act	No	-
Elderly/People on Low Income	No	-

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DECISION STATUS

Key Decision	No
Reason	N/A
Appeared in Forward Plan	No
Executive or Council Decision	Executive (Cabinet)