

**Teignbridge District Council
Full Council
17 October 2023
Part i**

FINANCIAL LIMITS – CHANGES TO THE CONSTITUTION

Purpose of Report

To provide Members with further information around the recommendation from Procedures Committee of 2 October 2023 to increase the financial limits for key decisions in 3.4.7 of the constitution to be as follows:

Revenue £100,000
Capital £250,000

And any other references to these limits to be amended accordingly.

The report examines the background to the recommendation and previous proposals to amend the limits.

Recommendation

That the financial limits Key Decisions at 3.4.7 in the Constitution be increased as follows:

**Revenue £100,000
Capital £250,000**

And any other reference to these limits be amended accordingly

Financial Implications

There are no financial implications contained within the report other than the delegation of decision making between officers, Executive and Full Council as identified in section 3. Earlier decision making will reduce the risk of more inflated costs for capital projects and general works required and facilitate a reduced pressure on the budgets of the Council.

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Legal Implications

There are no specific legal implications arising from this report apart from ensuring all relevant sections of the Constitution are amended to reflect the relevant decision making approvals.

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Risk Assessment

Risks are identified in section 5 of the Executive report. There are no significant risks identified as officers and Members are briefed and aware of decision making thresholds and additional checks remain in place to scrutinise decisions made.

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Environmental/ Climate Change Implications

There are no environmental or climate change impacts arising from this report.

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Executive Member

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Appendices/Background Papers

Appendix 1 – Changes to Constitution extract – Financial Instructions

1. PURPOSE

- To review and amend the financial limits for decision making to reflect the changing historical purchasing power of spend limits and to ensure decision making is made in a more effective and efficient manner.

2. SUMMARY

- 2.1** The Council has been reviewing changes to the Constitution which included its financial limits for some time. The Centre for Governance and Scrutiny (CFGs) have also looked at these limits as part of their review of the governance arrangements within the Council.
- 2.2** The CFGS recommended in their report that the financial limits are low and should be doubled hence the proposal which was submitted as part of the wider number of Constitutional changes to Procedures committee in February 2023. The financial limits are low when compared to others and are an aid to making decisions by the relevant Committees or officers effectively and efficiently.
- 2.3** The proposals were originally reviewed at Procedures committee in February 2023 and recommended for approval to Full Council in May 2023. Members voted in May to refer this item back to Procedures Committee again to consider as the new Council needed time to understand the decision and its implications. Procedures Committee approved the referred recommendations on 2 October 2023 and a request was made for further information to be supplied to Full Council in relation to the elements of the Constitution and Financial Instructions that would be altered. These are detailed below and in Appendix 1.
- 2.4** The main implications are around financial decision making limits as explained in section 3 below.

3. FINANCIAL

- 3.1** The Executive committee has a functional role to make decisions on behalf of the Council. This includes setting the Committee a financial boundary limit in which to operate. This limit has not been changed for some considerable time and so the existing thresholds within the Constitution and Financial Instructions have been eroded over time due to inflation and this has been compounded in recent years with higher levels of inflationary increases. The inflationary pressures have also been significant in relation to capital costs and building materials.
- 3.2** The proposed limits adjust for these changes in the purchasing power of money and reset what they were meant to reflect when previously reviewed.

There will also be efficiency savings for officers who can complete projects and work in a more timely fashion and for the Finance department it will reduce the number of virement forms that are created to move funds from one budget heading to another. The existing virement rules are identified in the Financial Instructions section of the Constitution in section 7 (a). A full list of the proposed changes to the Financial Instructions is shown in Appendix 1. The other change is in 3.4.7 (a) as detailed above to alter the key decision limits to be £100,000 for revenue (currently £50,000) and £250,000 for capital

(currently £125,000) and the subsequent changes to the contract procedure rules linked to the Financial Instructions.

Examples of decisions where there would be reduced documentation and efficiencies would include repairing of the multi-storey lift in Newton Abbot and repairing the flume at Newton Abbot leisure centre.

Virements within the FMS system requiring some form of documentation and signature involving officers/Members tend to average around 10 per month which could be removed with the higher limits. These revised thresholds on the financial limits and its impact on form filling will save approximately 120 paper based transactions per annum looking at historical data.

The threshold changes will not have a material impact on decision making between Executive and Full Council as large value schemes will still come to Full Council.

There are a number of previous examples where the pathway for a decision could have been made in an alternative manner. One such example was in relation to the decision to be made on the recycling baler which required repairing and replacement of parts. The higher limit proposed would have allowed Executive Member approval. In this particular case we were able to make the decision through the urgent decisions process but delay would have cost the Council considerable sums in lost income due to the sorting that the baler provides which it is estimated cost the Council £8,000 a week in reduced income until it was repaired.

Other examples to expedite decisions more swiftly by approving at Executive rather than Full Council would have included Sherborne house feasibility, Den play area improvements, Decoy play area improvements and the new financial management system. These could have been accommodated within the monthly cycle of Executive committee. Purchasing of housing stock under the various Government initiatives would also be items that could be brought to Executive moving forward.

Whilst the financial limit increases allow more decision making for Executive, most capital projects involve sums which are considerably more than the Executive can approve and so such schemes remain within the control of Full Council within the capital programme. The larger value decisions e.g., the detailed scheme for housing at Sherborne house would still come forward to Full Council for approval.

What is also of importance is that section 3.4.7 of the Constitution is in two parts in relation to key decisions. The first part (a) relates to the monetary value of decisions however part (b) relates to the wider definition of a key decision and its impact on communities living or working in an area and comprising two or more wards. If the decision is likely to impact on two or more wards then Members still need to make the decisions on these items so this overrides any monetary value whether it is increased for officer approval or not. Scrutiny and transparency is not compromised.

Members should also be aware that individual or Executive decisions are still subject to call in and this procedure is set out in section 8 (b) of the Constitution. There are no changes proposed to this section of the Constitution. Appendix 1 of this report includes the decision making process for capital projects in section 6.1 and how these are reported to Members.

All large financial variances will continue to be reported quarterly to members via the financial reports from the CFO which can be scrutinized so again transparency and visibility of decisions is maintained on both revenue and capital expenditure.

4. LEGAL

Regular review is required of the Council's Constitution and Financial Rules. Any changes approved to the financial limits will be incorporated into a wider raft of changes still being considered.

5. RISKS

There is a risk that if the financial limits are not increased this will reduce the ability to make decisions swiftly leading to delays and potential inflationary increase in costs to deliver projects and schemes and create more pressure on our budgets. All decisions continue to be appropriately documented for transparency and to aid all Members understand decisions at all levels.

6. ENVIRONMENTAL/CLIMATE CHANGE IMPACT

There are no environmental/climate change implications.

7. DATE OF IMPLEMENTATION (CONFIRMATION OF DECISION SUBJECT TO CALL-IN)

No call in