

CAIRNGORMS NATIONAL PARK AUTHORITY FINANCE COMMITTEE

FOR DECISION

Title: FINANCE COMMITTEE EXPENDITURE APPROVAL PROCEDURES

Prepared by: Denby Pettitt, Finance Manager

Purpose

To allow Members to consider the current method for approving expenditure that falls due for decision outwith the Committee's quarterly meetings.

Recommendations

- i) Members are requested to agree the proposed two-tier approval process for future expenditure or consider if there are other changes they wish to make; and
- ii) Members should consider what, if any, points need to be referred to the CNPA Board.

Executive Summary

- a) To date, expenditure requiring approval by the Finance Committee outwith quarterly meetings has been by e-mail correspondence. Although this has worked reasonably well in the past members have agreed a need to review the process. This paper recommends movement to a two-tier approval system whereby:
 - the full Finance Committee meets to approve expenditure over £25,000; and
 - expenditure greater than the current level at which expenditure is passed to the Finance Committee (£10,000) but less than £25,000 is approved by the Finance Committee Convener.
 - b) The paper also contains a proposal to simplify the system by removing the distinction between grants, consultancies and projects and have consistent monetary levels above which the Authority's officers need to seek Finance Committee or Board approval. This will remove any uncertainty as to which expenditure classification, and therefore which authority level, should be used.
 - c) We propose that all expenditure above £50,000 is approved by the CNPA Board.
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FINANCIAL COMMITTEE EXPENDITURE APPROVAL PROCEDURES – FOR DISCUSSION

Background

1. Finance Committee normally meets 4 times each year.
2. At their August 2004 meeting, Finance Committee agreed that expenditure requiring authorisation outside a quarterly meeting could be approved by e-mail after the Expenditure Justification Form has been e-mailed to members by the Finance Manager.
3. The Management Statement and Financial Memorandum (MS&FM) that the Authority has agreed with our Sponsoring Body (SEERAD) require us to submit expenditure above certain thresholds to SEERAD for approval. Details of these levels are given in para. 4.

Delegated Authority Levels - SEERAD

4. Delegated authority levels arising from the MS&FM are set out in the May 2004 Board paper. Officers need to obtain approval either from the Finance Committee, Board or Scottish Executive in the following cases:

	Grants/Loans (total value of scheme)	Consultancies	Projects
Approval required from	Level above which approval required		
	£	£	£
Scottish Executive	10,000	10,000	50,000
CNPA Board			25,000
Finance Committee	10,000	10,000	10,000

5. The MS&FM is due for review as the Authority has been in existence for three years and this document is generally reviewed and updated every 2-3 years. We have discussed the principle of changing these levels of delegated authority with the Sponsoring department at liaison meetings, most recently on 23 August. The Sponsor Department have asked that we make a written report to them.

Delegated Authority Levels – CNPA

6. As Chief Executive, Jane has previously delegated authority to individual Heads of Group in order that they can approve expenditure, up to their delegated authority limit, for which they are responsible for under the Operational Plan.

7. This limit was £10,000 and has been increased to £25,000 from July 2006. The flowchart in Annex 1 shows the current internal levels and paper flow together with a suggested change to Finance Committee authorisation practices (para. 11)

Recent Discussions

8. At recent Committee meetings members have discussed the authorisation process; whether members are adding value; whether it is appropriate to implement different approval processes according to value; and whether the full Committee needs to continue to approve all Expenditure Justification Forms (EJF),
9. This paper recommends revised arrangements to formalise the above.

Recommended changes

10. The Authority's expenditure is planned ahead of the financial year, whether it be expenditure on running the organisation (salaries, office costs etc.) or Operational Plan expenditure. These plans are already approved at a strategic level by the Board in advance of spend.
11. Given this, it is proposed to have a two level system of approval at Finance Committee:
 - i. for expenditure, where the Park Authority's share is between £10,000 and £24,999; and
 - ii. for expenditure, where the Park Authority's share is £25,000 or more.
12. In line with our Financial Regulations, EJFs will continue to be produced by the Authority's staff for all expenditure over £5,000 but those where the Park Authority's commitment is below £10,000 will be filed once approved by the Head of Group, and Management Team if required, in line with the CNPA's internal processes as detailed in the Financial Procedures Manual.

Expenditure between £10,000 and £24,999

13. The proposed approval process for such expenditure is:
 - a) EJFs are given to the Finance Committee Convener;
 - b) the Convener is able to take advice from the Authority's officers, including the Chief Executive and Head of Corporate Services, and other Committee members;
 - c) the Convener is responsible for approving the expenditure; and
 - d) EJFs approved in this manner will be formally reported, as current practice, in the next set of Finance Committee papers.

Expenditure £25,000 or more

14. The proposed approval process for such expenditure is:
- a) EJJ is given to the all Finance Committee members;
 - b) the Committee is responsible for approving the expenditure by a majority vote, the same as the current practice;
 - c) although the EJJ may be sent to the Finance Committee by e-mail, if outwith a quarterly meeting, the Committee will formally meet to discuss and approve the expenditure. This will normally be done on a date that Committee members are assembled for a Board or Planning Committee meeting; and
 - d) at such a meeting either the Chief Executive or Head of Corporate Services will be present together with the appropriate Head of Group, if necessary.

Next steps

Financial Manual update

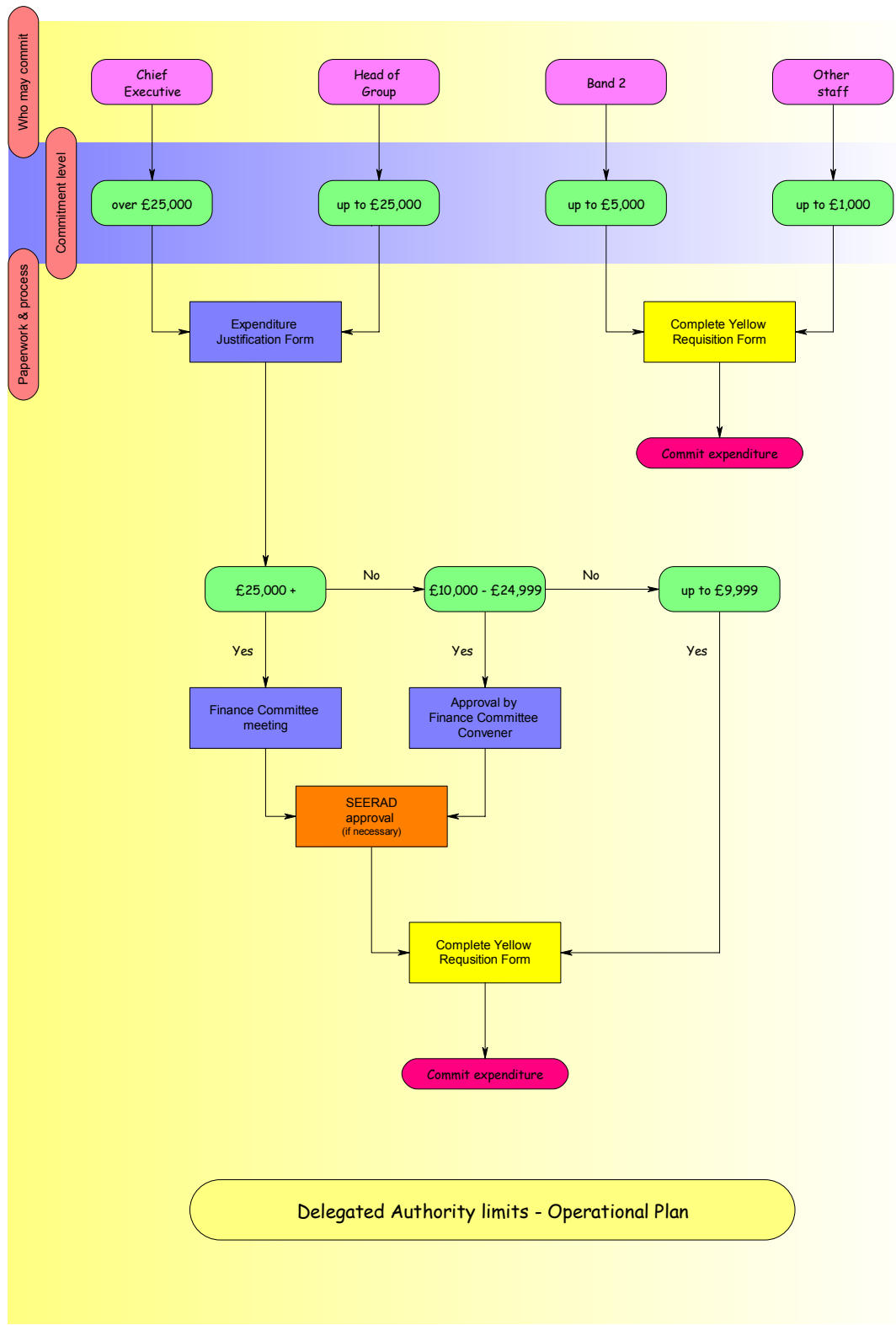
15. The Financial Procedures Manual is to be reviewed and updated later this year and as part of this process we are reviewing the content and usability of the EJJ. Members are requested to consider, and report to the Finance Manager, if there are any changes they would like to see on the current form which would improve its use by the Committee.

Board approval levels

16. With the proposed increase in the monetary level to £25,000 for full Finance Committee approval of EJJ's and the request to SEERAD to increase the Authority's delegated authority limits it may be appropriate to formalise the level at which expenditure approval from the full Board is required.
17. Since the present delegated authority limits were approved by the Board in May 2004 (para. 4) the Board would need to approve any changes to these levels. As officers, we think that two areas are worthy of consideration for change:
- a) the distinction between grants, payments to consultancies and projects can be a difficult one to interpret in practice and we would therefore recommend a consistent monetary level above which all expenditure requires Board approval; and
 - b) we would propose the level to be £50,000 which would mean Finance Committee could approve expenditure up to £49,999.
18. In practice, the latter point merely formalises current practice in that significant areas of expenditure have generally been subject to a paper going to the full Board. Examples of this include the Point of Entry Markers, continuation of the Land Based Business Training programme and various Visitor Services/Outdoor Access spend.

Denby Pettitt
30 August 2006

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CNPA FINANCE COMMITTEE

Membership: 5 (quorum 3)

Members: Eleanor Mackintosh (Convener)
Bruce Luffman
Gregor Rimell
David Selfridge
One position to be appointed

Staff in Attendance: Finance Manager – non voting
Head of Corporate Services - non voting

Remit:

- a) To oversee the preparation of annual budgets for the CNPA;
- b) To oversee the preparation of the Corporate Plan and seek approval of the whole CNPA Board prior to submission to Scottish Ministers;
- c) To monitor income and expenditure during the year against budget and report to the CNPA board once per quarter;
- d) Seek approval of the CNPA board to the annual accounts.

Committee Life: Permanent, but with a review of membership, chairmanship and remit each year (in September).