

Letter to Departments Regarding Review of Delegated Limits

Emer Morelli
Head of Supply Division

Public Spending Directorate
Clare House
303 Airport Road West
Belfast
BT3 9ED
Tel No: 028 9081 6842 (x 76842)
email: emer.morelli@finance-ni.gov.uk



FROM: Emer Morelli

cc: Copy distribution list below

DATE: 5 NOVEMBER 2018

TO: FINANCE DIRECTORS

DEPARTMENTAL SPONSORSHIP OF ARM'S LENGTH BODIES (ALBs) – INNOVATION LAB INSIGHT REPORT – RECOMMENDATION 15

1. As you may be aware, the NICS Board has now agreed an action plan in response to the recommendations from the Innovation Lab Insight Report on the Departmental Sponsorship of ALBs.
2. Recommendation 15 of this action plan relates to the NICS business case and expenditure approval process, with a focus on the amount of information required to take spending decisions and the number of layers in the subsequent approval process.
3. Separate work streams are being taken forward in respect of the business case process, and I understand there has already been engagement with departmental economists on this issue. As a parallel work stream, DoF Supply is looking at the layers of approval across government to test whether delegated limits remain fit for purpose.
4. The purpose of this note is to initiate this review by looking, as a first step, at the delegated limits which are in place between departments and their spending teams (in both spending departments and ALBs).

DoF delegated limits

5. A review of the universal and department specific delegated limits contained in DAO (DFP) 06/12 was last undertaken in 2016. Following consultation with departmental Finance Directors a number of changes were introduced to both the universal and department specific delegations. These changes included increases in the universal (default) delegated limits for capital spend (from £1m to £2m) and gifts (from £100 to £250). In relation to department specific limits, DoJ's delegated limit for PSNI led IT projects was increased from £1m to £5m.
6. In addition to standalone reviews, departments are also encouraged to approach DoF Supply at any stage if they believe there is a case for the revision of a DoF delegated limit. Delegated limits which have been revised since the completion of the 2016 review include DEARA's delegated limit for grants towards schemes/projects for the recovery and disposal of waste, which was increased from £250k to £1m. The delegated limit for spend on EU programmes for which the Special EU Programmes Body is responsible was also increased to £5m.
7. It is accepted that not all decisions relating to delegated limits have reduced the layers in the approval process. For example, in 2014 DFP (as is was then) removed departments delegated authority for office accommodation leases. This was a control proposed within the Executive's Asset Management Strategy. The introduction or reduction of delegated limits may also be considered by DoF in response to weaknesses identified in departmental financial governance arrangements.
8. While DoF does have discretion to amend a number of the delegations set out within DAO 06/12 decisions which are novel, contentious or repercussive can never be delegated to spending departments or ALBs. In addition, there are a number of delegated limits which have been set in legislation and which cannot be amended by officials.

Internal delegated limits

9. It is DoF's experience that most of the frustration around proportionality in the spending approval process relates to low risk, low cost spending decisions. We have therefore proposed a bottom up approach to the consideration of delegated limits. This will allow those at the front line of spending decisions within departments and ALBs to identify the delegated limits which they believe drive disproportionate scrutiny.
10. As outlined within Managing Public Money NI, internal delegated limits are set by departmental Accounting Officers. In the majority of cases these delegated limits will be lower than the DoF delegated limits (some may be equal to DoF delegated limits, but they can never be higher) and will be determined through risks assessments of the relevant spending area.
11. As there has been both standalone and ongoing reviews of the DoF delegated limits, as a first step in the current review of delegated limits DoF would be grateful if departments could:
 - a) Engage with departmental Arm's Length Bodies and internal spending teams to identify which delegated limits, if any, are considered to bring a disproportionate level of scrutiny to spending decisions;

- b) Review internal delegated limits to assess if they are at a level which balances operational needs with the Accounting Officer's responsibility with regard to value for money¹; and

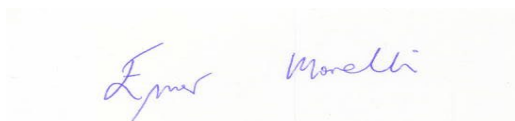
¹ Ensuring that the organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole, not just for the Accounting Officer's organisation

- c) Review ALB's MSFMs, guidance to ALBs and internal departmental guidance to ensure that any and all DoF delegated limits listed are up to date. While MSFMs should be focused on internal departmental rather than DoF delegated limits, if DoF limits are referenced within MSFMs they should be sourced from DAO 06/12 and its appendices. If any organisations' MSFM contains a DoF delegated limit which is not set out within DAO 06/12, department finance teams should consult their Supply Officer to agree whether this delegated limit should be retained.

- 12. While DoF approval is not required for the amendment of internal departmental delegated limits (unless they are considered significant)², in this case we would be grateful if you would notify your Supply Officer of any changes to these limits implemented as a result of this exercise.

Next Steps

- 13. I would be grateful if Finance Directors could respond to their perspective Supply Officers, providing the following, **by 3 December 2018**:
 - 1) A list of any internal delegated limits which are under consideration or have been amended (increased, decreased, introduced or removed) as a result of this exercise; and
 - 2) Confirmation that references to DoF delegated limits contained within MSFMs and departmental guidance have been reviewed for accuracy and completeness.
- 14. Engagement with internal and ALB spending teams might also highlight DoF delegated limits which departments believe should be reviewed. In these circumstances, departmental Finance Directors should engage with their Supply Officer. Any requests for amendments to the delegated limits contained within DAO (DFP) 06/12 will be subject to the normal challenge by DoF.



² DoF approval is required for each MSFM, however the internal delegations set out within that document are the responsibility of the departmental Accounting Officer. Departments will also be aware that DoF approval is also required for any significant revisions to MSFMs.

EMER MORELLI

Copy Distribution List

Julie Thompson

Bill Pauley

Stuart Stevenson