

# Expenditure Control Process

Following the issue of a Section 114 notice on 19 December 2022, the council has introduced an enhanced approval process relating to expenditure and procurement.

All new spending **over £500** is subject to additional approval checks and approvals. To manage this, we have set-up 3 additional levels of spending control for reviewing and approving new spend. **Only essential spending will be approved.**

Before you raise any request, it is important that you challenge the spend against the following:

- do we have to incur this expenditure?
- can we manage without this expenditure?
- does the spend prevent the financial situation from getting worse?
- does the spend improve the financial situation?
- will the spend prevent the financial situation from recurring?

For full documentation on the new process, go to **Expenditure Control Process (EDRMS link)**.

## Additional levels of expenditure control

The 3 additional levels of expenditure control are as follows.

### Directorate Spending Control

This will be managed using workflow approval within 4Me as outlined in the process below. Approval will be required from:

- your director
- 1 confirmed service representatives
- a finance representative

If any representative rejects the request, the agreed approvers should discuss this. Directors will agree processes within their own directorates to support the corporate approval process.

Due to system setup the structure for approvals is aligned to the following directorate names and does not reflect the interim directorate arrangements:

- Adults, Housing and Health
- Children's Service
- HR, OD and Transformation
- Public Realm
- Resource and Place Deliver
- Strategy, Comms and Engagement

### Expenditure Control Panel (ECP)

This panel will be chaired by a senior member of the finance team, plus a representative from the commercial services team and internal audit.

Additional board members representing individual directorates may rotate on to the panel as necessary.

## Strategic Approval Panel (SAP)

SAP is comprised of:

- Ian Wake, Acting Chief Executive
- Jonathan Wilson, Acting Director of Finance and s151 Officer
- John Jones, Director of Legal
- the finance representative that attends the ECP meeting

## Exclusions

The new Expenditure Control Process applies only to new expenditure. Spending can proceed in line with existing processes if it is below £500 and relates to:

- existing staff payroll and pension costs
- expenditure on goods and services that have already received, and for which purchase orders had already been approved
- expenditure required to provide of statutory services at a minimum possible level
- urgent expenditure required to safeguard vulnerable citizens
- expenditure required through existing legal agreements and contracts
- expenditure funded through ring-fenced grants
- expenditure necessary to achieve value for money or mitigate additional in-year cost

In addition, because the following activities are already subject to board scrutiny, the new process does not apply to:

- adult and children's care placements
- recruitment requests – permanent, contractors and agency

## Expenditure Control Process stages

The process operates between Oracle and 4Me. All requests for new spend must continue to be initiated in Oracle. You will then be directed through the systems accordingly.

In summary:

- **Oracle** – all new expenditure must have a requisition order raised and be approved in Oracle in advance of contacting a supplier
- spend below £500 will follow existing processes but will be monitored for compliance
- **Directorate Spending Control** – all new expenditure requests over £500 but below £25k will require the completion of a mini business case with additional approval required by your Director, directorate representative and finance:
  - if approved, the request will pass on to ECP for review
  - if rejected, you will need to discuss it with your manager or the directorate approval group and submit a new updated request if you still believe the spend is essential
- **Expenditure Control Panel** – ECP will monitor all spend in line with its terms of reference including new expenditure requests:
  - if approved, you will be notified and can proceed to the next step in Oracle
  - if rejected, the requestor will have one opportunity to resubmit the request but only if further information can be provided – the same request must not be resubmitted

- **Oracle** – for requests over £25k, a requisition must be raised in Oracle with a full business case included:
  - if approved, you will be notified and can proceed to the next step in Oracle
  - if rejected, you do not have approval to spend
- **Rejections** – following rejection from ECP or SAP, funds may be vired from budgets to allow savings to be delivered
- **Approvals** – all purchase orders over £500 raised must include the 4Me reference number allocated, and all new suppliers where expenditure is over £500 must also include the ECP approval reference number, otherwise they will be rejected automatically

These instructions also apply to purchase card use. A maximum £500 spend limit has been applied to all users. There will be a further review of purchase card allocation.

More detail on each stage of the process is provided below.

## Raising a requisition

For all new spend values you will follow the current Oracle process and raise a requisition. Once raised, the system (digital worker) will check the spend value and take you through the process accordingly.

## Spending under £500

If the new spend is less than £500, the existing process will continue and will require budget holder approval within Oracle.

## Spending from £500 to £25k

A request will be raised for you within the 4Me system and will prompt you to complete a mini business case. This will require approval from an agreed list of approvers within your service, including your director and a representative from Finance.

If approved, your request will be submitted to the Expenditure Control Panel (ECP) for review. All spend over £500 must be approved via this panel before you are able to proceed with the purchase.

If rejected, the spend has been declined by your directorate representatives and will not proceed.

## Spending more than £25k

Where the spend is over the value of £25k, the 4Me form must be completed and you will be required to attach a full business case.

Submissions without a business case will be rejected by the Strategic Approval Panel (SAP).

## Expenditure Control Panel (ECP)

ECP will meet on Mondays, Wednesdays and Fridays each week to review business cases. If they are uncertain of any business cases and are unable to provide a decision, these will be escalated to the Strategic Approval Panel for review.

Additionally, the panel will review overall corporate spend to determine whether either:

- any expenditure is bypassing controls
- any expenditure is being incurred unnecessarily

This will include but is not limited to the following:

- spending on purchase cards
- expenses spend via Oracle
- low value transactions
- fleet and stores purchases

## **Strategic Approval Panel (SAP)**

SAP will meet on Tuesdays and Thursdays each week to review escalations from the expenditure control panel, along with business cases for spend over £25k. They will also review any areas of concern raised by ECP about corporate spending patterns in relation to purchase cards, expenses, low value transactions and fleet purchases.

## **Procurement – new contracts and contract extensions**

Any proposed contractual arrangement must be considered carefully and assessed whether necessary before it commits the council to new expenditure.

There will be further review of the procurement processes with updates provided in due course.