

Natural Resources Wales Board Meeting 27 February 2013

Paper Title	Financial Scheme of Delegation
Paper Reference:	Paper 5 (02/13) [E]
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Purpose of Paper:	Update the Board on development of the draft Financial Scheme of Delegation
Decision Required:	For the Board to note progress to date and endorse the approach presented
Impact:	The paper will have a direct impact on the manner and level at which key financial decisions are taken. From Day 1, Natural Resources Wales (NRW) will strive for a culture of collective responsibility for all financial matters. To drive this forward there needs to be strong financial leadership and a well defined financial governance framework. As a public body funded by the public purse, NRW will place responsibility on management and staff to ensure value for money and financial regularity at all times. The Scheme establishes delegated responsibilities for financial decisions.

Issue

1. Natural Resources Wales (NRW) must ensure that there is a sound financial governance framework in place for Day 1 to underpin activities that are critical to the success of the business. The Financial Scheme of Delegation (FSoD) is a key component of this framework - it governs how we spend money. It details the mandatory rules we must follow when spending NRW money making sure we do it prudently and maintain financial regularity. The Scheme is an essential mechanism in achieving efficiency, leadership, accountability and transparency in the way NRW makes decisions. It covers the whole range of financial activities of the organisation and is applicable to the Board and all NRW staff.

Summary

2. The Scheme ensures that all financial activities of the NRW are delegated to an agreed level of authority or specific post holder. It allows the Board and Executive Team to delegate decision making responsibility for all financial matters. It is based on risk profile and scaled appropriately and defines the circumstances where approval may be referred to Welsh Government. The Scheme has an important role in helping the public understand the way our decisions are made on how we spend money.
3. The FSoD will be a NRW Board approved document and as such, changes to limits will require their approval.

Background

4. A principle vehicle for steering the FSoD is the financial delegated limits contained in the Financial Memorandum (an annex to the Welsh Government Framework Document). Agreement on these limits is imminent; however, for information, a draft copy can be found in [Annex 1](#).
5. The approach taken to develop the Scheme was set out in Board Paper 8 (12/12).
6. The delegated powers are set across four levels:
 - Level 1 reserves the highest level decisions to the Chief Executive and NRW Board;
 - Level 2 are those responsibilities delegated to Executive Directors;
 - Level 3 are those responsibilities delegated to Leadership Group Managers; and,
 - Beyond level 3 are those responsibilities delegated to operational and local teams.
7. Level 1 and 2 is now set out in some detail, with work well underway mapping Level 3.
8. Beyond level 3, Legacy Bodies Financial Schemes of Delegation will apply to support the Day 1 Organisational Design – business as usual. The main changes required before Day 1 are those informed by areas of the Welsh Government Framework Document appertaining to financial matters and NRW appointments to Tier 1 and Tier 2 Management Structure.

9. The Scheme will ensure clear separation of duty at three distinct levels.
 - Justification for commencing a project;
 - Approval to spend – signing off the budget; and
 - Commitment to spend - letting of contracts and placing of purchase orders.
10. Where appropriate, there has been some harmonisation of the three legacy Schemes – particularly around procurement and the tendering thresholds. The main limitations to harmonising the three schemes further for Day 1 are limited organisational re-design and operating three legacy finance systems.

Next Steps

11. Following Board consideration, the Financial Scheme of Delegation will be finalised and a draft presented to the next Board meeting.
12. Beyond level 3, the Scheme will continue to evolve as the organisation develops and a new finance system is built. A regular and systematic review of the Scheme will therefore be necessary with consideration and approval of significant changes by the Board.

Risks

13. Future revisions to the scheme will need to happen in parallel with ongoing organisational design; otherwise key components of the delegation approach may be missed.
14. As NRW becomes less reliant on legacy body systems and documentation, the approach to embedding delegations in this guidance needs to be recognised and addressed.
15. NRW will have a single Financial Scheme of Delegation, albeit at an operational level, it will describe the three legacy schemes. This may leave itself open to interpretation and result in a slightly different approach to decisions making. The Scheme will however address the 'high spend / high risk' end of the spectrum by having a single set of limits for Tier 1 and Tier 2 management structure. There will also be constraints around workflow and access to legacy systems. The new finance system will address this, and in the short term, alternative ways of working will be described in the Essential Guide series.

Financial Implications

16. The Financial Scheme of Delegation is a key governance mechanism directing effective financial responsibility through the assignment of certain responsibilities to Directorates. Any financial decisions reserved to the Board and delegated to the Executive Team will be built in to the Scheme.

Communications

17. Together with the Non-Financial Scheme of Delegation, the Financial Scheme of Delegation forms part of the overall Corporate Governance Framework and will be made available on the website
18. The final approved mechanisms will be communicated to staff via the Essentials Guide and leadership team briefings.

19. It is essential that those in leadership positions fully understand their level of delegated authority and can support staff to provide effective transparency in decision making and enable them to do their jobs.

Annex 1**Excerpt from the Welsh Government Framework Document –
DRAFT DOCUMENT****SUMMARY OF APPROVAL REQUIREMENTS AND DELEGATION LIMITS**

Subject	Delegation Limit
Appointment of Chief Executive	Ministerial approval
Staff remuneration and terms and conditions	Amendments to overall terms and conditions require Ministerial approval
Pension arrangements and payment of redundancy or compensation	Approval of sponsor team
Corporate and Operational Plan	Ministerial approval
Joint ventures and Wider Markets Initiative	Approval of sponsor team
Novel, contentious or repercussive proposals	Approval or sponsor team
Any borrowing, lending, guarantees, indemnities or investment	Approval of sponsor team
Capital projects – Flood Risk Management	£5m Between £2m and £5m – summary documents to WG for each project.
Capital projects – non Flood Risk Management	£500k
Non capital projects	£500k
Research/scientific monitoring projects	£500k
Consultancy contracts	£500k
Gifts, hospitality, prizes etc	£2.5k
Sponsorship	£10k
Losses and special payments	£100k
GiA cash carry-over	5% of annual GiA
Single Grant	£500k per annum
Purchase or lease of land or operational properties	£5m Between £2m and £5m – brought to the attention of WG
Provide funding to any other body to assist in the acquisition of land	£250k
Land purchase above District Valuer's valuation	£100k