

<b>Agenda item:</b>	<b>5</b>
<b>Report title:</b>	<b>Financial approval limits</b>
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<b>Action:</b>	<b>To Consider</b>

## Executive summary

The transformation programme has been set up to help us achieve our ambition to become a more agile, confident and connected regulator. This includes looking at how we can get better at delegating decision-making through the organisation.

Our financial approval limits were last reviewed in 2004, and as a result many routine financial and contractual transactions are escalated to SMT for approval. We propose to increase the current approval limits so that a greater proportion of financial decisions are approved by those staff more closely involved in operational activities.

## Recommendation

The Executive Board is asked to approve an increase in the financial and contractual approval limits set out in the schedule of authority.

## Contractual and financial approvals

### *Background*

- 1 The GMC's schedule of authority (chapter 9 of the Governance Handbook) defines the levels at which staff can approve expenditure. The GMC's procurement policy applies these same levels to the approval of contracts. The current levels are:

Staff	Financial / contract approval limit
Chief Executive and Chief Operating Officer	No limit within the constraints of the annual budget and business plan approved by Council
Directors and the Chair of the MPTS	£100,000
Assistant Directors and the Tribunal Clerk of the MPTS	£50,000
Heads of Section	£30,000
Other designated staff	£10,000

- 2 Expenditure is controlled so that transactions are routed through each level of the authorisation matrix. For example, a transaction for £200,000 will be reviewed and approved by the relevant head of section, assistant director, director and COO. Additional controls apply so that approvers can only authorise expenditure in their own areas of responsibility.
- 3 The approval limits have remained unchanged since 2004, and since then our turnover has increased by around 40%. This has led to an increase in the volume and value of transactions, with many routine financial and contractual transactions being escalated to SMT for approval.

### *Approval limits*

- 4 The transformation programme has been set up to help us achieve our ambition to become a more agile, confident and connected regulator. This includes looking at how we can get better at delegating decision-making through the organisation. In line with this, the Heads of Section Decision Making Group has reviewed the current authorisation levels, including benchmarking against the limits used by comparator organisations, which shows that the GMC approval limits are relatively low (Annex A).

**5** We propose increasing the approval limits to:

<b>Staff</b>	<b>Proposed financial / contract approval limit</b>
Chief Executive and Chief Operating Officer	No limit
Directors and the Chair of the MPTS	£200K
Assistant Directors and the MPTS Executive Manager	£100K
Heads of Section	£60K
Other designated staff	£20K

- 6** These limits apply only to expenditure included in the approved annual budget. Financial Regulations require budget holders to manage expenditure against the approved budget, with any exceptional unbudgeted expenditure being reported to the Executive Board and Council.
- 7** As the financial limits are specified in the schedule of authority (chapter 9 of the Governance Handbook), Council will need to approve the changes.
- 8** The schedule of authority is being reviewed in its entirety as part of a wider governance review which will be reported to the Audit and Risk Committee on 16 November 2017 and to Council on 12 December 2017. We will therefore seek approval for the new financial limits as part of that report. We will also seek to remove financial limits from future iterations of the Governance Handbook so that authority for setting limits is delegated to the Chief Executive.
- 9** We will also update our Financial Regulations (chapter 10 of the Governance Handbook) as part of this wider review.
- 10** The new approval limits will require changes to be made to Agresso, and additional training to be provided to staff, so we propose to implement the new arrangements on 1 January 2018.

**5 – Financial Approval Limits**

**5 - Annex A**

**Annex A – Comparator approval limits**

Organisation	Greater London Authority	Newham Council	Lambeth Council	West Yorkshire PCC	Queen Mary University of London	Care Quality Commission	Natural England	NHS Business Services Authority	GMC	Natural History Museum	Scottish Qualifications Authority	National Institute of Health and Care Excellence	General Dental Council
Annual spend (£M)	1,879	1,093	1,133	418	393	248	153	119	101	85	79	62	40
<b>Equivalent grade</b>													
<b>CEO/COO</b>	Any	£500K	£10M	£5M	Any	Any	£2M	£1M	Any value	Any Value	Any value	Any value	Any value
<b>Director</b>	£150K if new / novel - Otherwise unlimited	£500K	£1M	£1M	£1M	£500K	£500K	£500K	£100K	£250K	£100K	Any value	£150K
<b>Assistant Director</b>	£50K if new / novel - Otherwise unlimited	£100K	£100K	£500K	£200K	£174K	£250K	£100K	£50K	£50K	£50K	£164K	£25K
<b>Head of Section</b>	£50K	£100K	£100K	£150K	£50K	£50K	£111K	£100K	£30K	£50K	£50K	Varied by budget holder	£25K
<b>Other designated staff</b>	£5K	£50K	£50K	£75K	£20K	£10K	£10K	£10K	£10K	£25K	£20K	Varied by budget holder	N/A
Source	Mayoral scheme of delegation, Accounts 15/16	Financial regulations, Accounts 15/16	Financial regulations, Accounts 15/16	Financial regulations, Draft Accounts 16/17	Scheme of delegation of financial responsibility, Annual Accounts 15/16	Financial scheme of delegation; Annual accounts 15/16	Financial scheme of delegation ; Annual accounts 15/16	Standing financial instructions; Annual accounts 15/16	2016 Accounts	Financial regulations, Accounts 15/16	Standing financial instructions; Annual accounts 15/16	Standing financial instructions; Annual accounts 15/16	Annual accounts 2014; Declaration from GDC

	Greater delegation than GMC for contractual approval
	Similar delegation of contractual approval
	Less delegation than GMC for contractual approval