

2 Finance

2.1 Revised Chief Executive Delegated Financial Authority Policy

TO	Thames-Coromandel District Council
FROM	Karl Dudley - Corporate Services Group Manager
DATE	25 April 2018
SUBJECT	Revised Chief Executive Delegated Financial Authority Policy

1 Purpose of report

The purpose of the report is to present a proposal to amend the Chief Executive Delegated Financial Authority Policy for Council's consideration and approval.

2 Background

In October 2015 Council adopted a new policy for the Chief Executive to approve expenditure over and above the approved Long Term Plan/Annual Plan budget within set limits. It was acknowledged at that time, by both staff and elected members, that the limits for the over expenditure was at the low end of the spectrum and that the policy would be further refined as implementation of the new policy uncovered issues.

The first refinements occurred in December 2015 when dispensations were approved in relation to the following activities (on the basis that the volume of work caused additional expenditure which was offset by additional revenue):

- Building Control;
- Resource Consenting
- Solid Waste (collection and transfer stations)

Dispensation was also granted allowing over expenditure without further approval to carry out prosecutions and defend hearings initiated by Councils' Legal Counsel on behalf of the Community Environment Group (to preserve Council's separation to enforcement action and avoid unanticipated consequence and unfavourable impact on the prosecution).

The second refinement occurred in April 2016 when unbudgeted and over expenditure for operating expenditure was combined, thresholds were increased, percentage limits were removed, and tolerances were removed for capital expenditure.

The third refinement occurred in February 2017 when editorial changes to over expenditure to capital expenditure were approved to clarify the intent of the policy and limits to over spend on capital expenditure were added.

The current Chief Executive Delegated Financial Authority Policy has been in operation for just over a year.

Reports from the Chief Executive are provided to Council at each meeting detailing the out of cycle budgets that the Chief Executive has approved by exercising his delegation under the policy.

3 Issue

Management are proposing that the policy limits be increased from 1 July 2018 to enable the Chief Executive to manage operations and adapt more efficiently to the changing environment in which we operate. The suggested changes are summarised in the discussion below and shown using tracked changes in the attached policy (Attachment A).

4 Discussion

The changes management are proposing are as follows;

- Remove the need to report quarterly to the Audit Committee on all over expenditure and unbudgeted expenditure within the delegation. Given that Council meet six weekly, the reports would have already been reviewed by Council before the Audit Committee meets, meaning a double up of reporting.
- Increase the authority to over expend on operating expenditure from \$100,000 to \$300,000 (1.3% of total budget) across all operating units.
- Increase the authority to over expend on operating expenditure from \$20,000 to \$100,000 (from 2.5% to 7% of total budgets) across all locally funded activities within each individual community board area.
- Increase the authority to over expend cumulatively on operating expenditure from \$100,000 to \$500,000 (1% of total budget) across all district funded activities.
- Change the authority to over expend on capital expenditure from \$100,000 to 10% across all locally funded activities within each individual community board area. The reason for the proposed change is that the capital expenditure budget in 2017/18 varies across board areas from around \$624,000 in Tairua-Pauanui to \$6,795,000 in Mercury Bay. Imposing a set dollar limit is restrictive on some board areas, while allowing generous over expenditure for others.
- Increase the authority to over expend cumulatively on capital expenditure from \$250,000 to \$1,000,000 (5% of total budget) across all district funded activities.

Note that the delegations above are not applicable to interest or depreciation costs. Also when considering any over expenditure, forecast under spend in other budgets and the level of applicable financial reserves will be taken into account in accordance with the current policy.

Management are also proposing to add a new limit to allow the Chief Executive to delegate to Group Managers the authority to over expend budgets by 5% or \$10,000 (whichever is less) without seeking further approval from the Chief Executive.

Budgets are developed based on reasonable estimates of know costs at the time of preparation. A number of budgets go over budget by small insignificant amounts due to unforeseen actual costs. Under the current policy, the Chief Executive is required to approve any over expenditure which could be as little as \$1 over budget. This is causing some inefficiencies and increased administration costs for very little risk. We believe 5% or \$10,000 (whatever is less) is a fair and reasonable limit that will improve efficiency and reduce administration, while still maintaining sufficient controls to ensure expenditure is being prudently managed.

5 Suggested resolution(s)

That the Council:

1. Receives the 'Revised Chief Executive Delegated Financial Authority Policy' report, dated 25 April 2018.
2. Approves the revised Chief Executive financial delegation policy as contained in Attachment A of the agenda report that notes the following changes:
 - Remove the requirement for quarterly reporting to the Audit Committee.
 - Allow for variations within an operating unit budget and activity budget within an activity group.
 - Increase the authority to over expend on operating expenditure from \$100,000 to \$300,000 across all operating units.
 - Increase the authority to over expend on operating expenditure from \$20,000 to \$100,000) across all locally funded activities within each individual community board area.
 - Increase the authority to over expend cumulatively on operating expenditure from \$100,000 to \$500,000 across all district funded activities.
 - Change the authority to over expend on capital expenditure from \$100,000 to 10% across all locally funded activities within each individual community board area. Increase the authority to over expend cumulatively on capital expenditure from \$250,000 to \$1,000,000 (5% of total budget) across all district funded activities.
 - Add a new delegation limit allowing the Chief Executive to delegate to Group Managers the authority to over expend budgets by 5% or \$10,000 (whichever is less) without seeking further approval from the Chief Executive.

References-Tabled/Agenda Attachments

Attachment A - Draft Governance Policy Chief Executive Delegated Financial Authority

Attachment A: Draft Governance Policy - Chief Executive Delegated Fina...