

Delegated Financial Authority Policy

Governance Policy

Policy Owner	Corporate Services Group Manager		
Adopted by	Thames-Coromandel District Council		
Description of policy	This policy outlines the financial delegation approved by Council for the Chief Executive to manage Council business in an effective and efficient manner.		
Keywords	DFA, delegation, financial, authority, finance		
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Objectives

The objective of the policy is to

- Clearly articulate the financial delegation given to the Chief Executive by the Council to enable clear accountability and lines of responsibility.

Background

According to the Local Government Act 2002 (LGA02) a governing body of a local authority is responsible and democratically accountable for the decision-making of the local authority. LGA02 gives local authorities their status and powers defining their role and principles under which they are to operate.

LGA02 notes for the purposes of efficiency and effectiveness in the conduct of a local authority's business, a local authority may delegate to a committee or other subordinate decision-making body, community board, or member or officer of the local authority any of its responsibilities, duties, or powers with the exceptions listed under Section 32 of Schedule 7 of the LGA02.

The LGA 2002 sets out the role of the chief executive. Section 42 explains that a chief executive is responsible for:

- implementing the decisions of the local authority;
- providing advice to members of the local authority and its community and local boards;
- ensuring all powers and duties delegated to him/her and to staff are properly performed;
- ensuring the effective and efficient management of the council's activities;
- maintaining systems that allow for effective planning and performance;
- providing leadership for the staff;
- employing the staff on behalf of the local authority; and
- negotiating the terms of employment of the local authority's staff.

To ensure the effective and efficient operation of Thames-Coromandel District Council (TCDC), and in accordance with the provisions of the Local Government Act 2002, the Council has delegated to the Chief Executive the authority to implement the Long Term and Annual Plans. Within this policy the Council has set a financial delegation to the Chief Executive that allows certain tolerances in exceeding operating and capital expenditure budgets. The delegation to the Chief Executive allows the Annual Plan to be implemented without continued reference back to the Council for approval. In turn, the Chief Executive delegates to Council Officers both financial and non-financial delegations. The financial delegations to staff by the Chief Executive are documented in the Delegated Financial Authority policy, a management policy.

Factors to Consider

The Council employs one staff member, the Chief Executive. It is appropriate for the Council to provide the required delegations to the Chief Executive to enable the effective and efficient operations and to further delegate where it is efficient and effective in the management of the Council services.

Implementation

All staff and elected members will be notified of this policy and where to access a copy. All new elected members and chief executives will be provided with a copy of the policy upon commencement of their term of office or employment.

Risks

Factors that may impede the implementation of the policy include lack of awareness of the policy by appropriate staff and elected members, non-compliance with Council's systems, or inadequate procedures to anticipate and provide controls against deliberate attempts to bypass the system (for instance, the ability of managers to override controls, lack of independent checks/authorisation of transactions).

Measurement and Review

Measurement of the effectiveness of this policy will be reviewed and measured by internal and external audits. The policy will be reviewed on a three-yearly cycle, or at the request of the Chief Executive or Council, or in response to changed legislative and statutory requirements, or in response to any issues that may arise.

Definitions

Capital expenditure (CAPEX)

Expenditure that results in the creation of a new asset, or increases the total useful life or capacity provided by an existing asset (i.e. improves an existing asset) is CAPEX. To be classified as an asset, expenditure must meet all of the following criteria:

- it generates access or rights to future benefits.
- it must be controlled by the Council and the transaction giving the Council control must have occurred.
- it must be capable of reliable measurement.

Delegated authority or delegations

The authority to approve expenditure, carry out actions or make decisions on behalf of the Council in specific situations.

The terms 'delegated authority' or 'delegations' are identical in meaning and are used interchangeably in this policy.

Expenditure

Payment of cash or cash-equivalent for goods or services, or a charge against available funds in settlement of an obligation as evidenced by an invoice, receipt, voucher, or other such document.

Operating Expenditure (OPEX)

All expenditure which does not meet the criteria for CAPEX must be classified as OPEX.

1 July 2018

Policy Statement

This policy sets out the financial delegation given to the Chief Executive by the Council to enable effective and efficient delivery of the Council's decisions (including the budget decisions contained in the Annual Plans and Long Term Plans); and clear accountability and lines of responsibility as provided for in the Local Government Act 2002 and other legislation.

1 Chief Executive delegations

(A) Operating Expenditure

Council approves the following financial delegation to the Chief Executive with six weekly reporting to Council of all over-expenditure and unbudgeted expenditure within the delegation:

- Authority to allow for variations within an operating unit budget or activity budget, also known as reallocation of budgets (with the exception of the interest and depreciation budget and associated expenditure).
- Authority to over expend on operating expenditure, excluding interest and depreciation, to a maximum across all operating units of \$300,000. In calculating potential overspend forecast underspend in other operating units and the level of applicable financial reserves shall be taken into account.
- Authority to over expend on operating expenditure, excluding interest and depreciation, to a maximum increase of \$100,000 across all activities within each individual Community Board area. In calculating potential overspend forecast underspend across other individual Community Board activities and the level of applicable financial reserves shall be taken into account.
- Authority to over expend on operating expenditure, excluding interest and depreciation, to a maximum cumulative increase across all district funded activities of \$500,000. In calculating potential overspend forecast underspend across all district funded activities and the level of financial reserves shall be taken into account.
- Delegates to any two of the following three positions - the Mayor, Deputy Mayor and the Chair of the Audit Committee - the authority to give approval to the Chief Executive to expend unbudgeted expenditure (either operating or capital expenditure) to address a significant immediate risk to Council operations.

Council approves a dispensation to the Chief Executive financial delegation allowing over-expenditure without further approval for the following budget codes:

Building control	GLs 311 and 312
Resource consents	GL 301
Solid Waste	GLs 612 and 616

Council approves a dispensation to the Chief Executive financial delegation allowing over-expenditure without further approval to carry out prosecutions or defended hearings initiated by Councils' Legal Counsel and with the Community Environment Group.

(B) Capital Expenditure

- Authority to over expend on capital expenditure by 10% across all locally funded activities within each individual Community Board area. In the process of approving/declining such expenditure the overall external debt position and the forecast external debt of Council along with the level of any applicable Community Board financial reserves and publicised future capital works programmes shall be taken into account.
- Authority to over expend on capital expenditure to a maximum cumulative increase across all district funded activities of \$1,000,000. In the process of approving/declining such expenditure the overall external debt position and the forecast external debt of Council and level of any applicable financial reserves and publicised future capital works programmes shall be taken into account.

