

FINANCIAL DELEGATION POLICY



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1. INTRODUCTION

The authority to enter financial transactions and commitments is an important part in how Hutt City Council delivers its Financial Strategy and maintains prudent financial management practices.

1.1 PURPOSE

The elected Mayor and Councillors are the governing body of Hutt City Council. It delegates much of its responsibilities to the Chief Executive and Committees. In turn, the Chief Executive is authorised to, and does, delegate responsibilities to officers.

This policy sets out these delegations in relation to financial matters and provides the basis for, and the limits on, the exercise of all Financial Delegated Authority (“FDA”).

There are other non-financial types of delegations which can be referenced in Council’s ‘Delegations Register’ (for example those statutory delegations required by the Resource Management or Buildings Acts that empower or authorise the Council to carry out certain activities under those Acts).

1.2 SCOPE

This policy applies to the Council Group (Group) being the Hutt City Council (Council) together with its Council Controlled Organisations (CCOs). This includes all elected members, employees/officers (full-time, part-time, fixed term, casual and volunteers) of the Council Group.

For CCOs, all references in this policy to the Long Term Plan or Annual Plan should be replaced with “Statement of Intent” and all references to the Council governing body should be replaced by “CCO Board”.

This policy should be read in conjunction with the Procurement Policy which has a primary purpose to ensure all procurement occurs within the parameters of public sector policy, rules and guidelines.

2. POLICY CONTENTS AND GUIDELINES

2.1 DEFINITIVE SOURCE

This policy is the definitive source of all approved Financial Delegated Authority. Where there is any conflict between this Policy and any other Group policy, procedure, guidelines or document, this Policy will take priority unless determined otherwise by the Chief Executive.

3. PRINCIPLES

3.1 The financial delegations authorise an Officer to approve financial transactions for specified budgets up to a dollar amount. The financial delegations are based on the following principles:

- a) Must comply with all legal requirements.
- b) They should reflect the separate roles of governance and management. The role of the Council and Committees is to concentrate on setting the outcomes, approving the overall allocation of

resources, and monitoring performance to ensure targets are met. Officers focus on the means to achieve the defined outcomes, implement the policy and carry out the day-to-day operations.

- c) Should give effect to the Long Term Plan (LTP)/Annual Plan.
- d) To promote efficiency and effectiveness.
- e) Must provide for clear accountability and lines of responsibility.
- f) Officers held accountable for the manner in which they discharge their responsibilities.

4. FINANCIAL DELEGATIONS

4.1 GUIDE TO DELEGATIONS

Type of transaction	Delegation required
Delegations from the Council to the Chief Executive	The Council has delegated to the Chief Executive the authority to implement the Annual Plan/LTP.
Sale and purchase of land and buildings including that acquired by gift or vesting.	Explicit Council approval required. Council may choose to delegate approvals to a sub-committee of Council.
Operating and capital expenditure	Delegated to specific positions and cost centres with financial limits.
Overspending of budgets	Generally not permitted. The Chief Executive has authority to approve overruns as long as the overall Annual Plan numbers are not exceeded.
Significant transactions	Council has a Significance and Engagement Policy which sets out the criteria for deciding if a transaction or event is significant. Decisions on a significant transaction are required to comply with this policy.
Setting rates	Approved by the Council.
Rates postponement, remission and penalties	Delegated to the Chief Executive or other officers as specified in the policies approved by Council
Treasury transactions	Covered by the Treasury Risk Management Policy.

4.2 GENERAL RULES TO FINANCIAL DELEGATIONS

- a) All financial delegation limits are subject to a maximum of what is approved in the current LTP/Annual Plan or any approved revisions of the budgets in the LTP/Annual Plan which are approved by Council.
- b) The financial delegation limits for expenditure relate to the total procurement or purchase price for goods and services. Officers are not permitted to deliberately split purchases in order to reduce the level of delegated authority necessary to approve the expenditure.

- c) Where a decision may be politically sensitive, there may be personal benefit or a conflict of interest, the one-up rule applies (i.e. the decision must be transferred up to the reporting line manager).
- d) Apart from the Chief Executive and Group Chief Financial Officer the financial delegations to officers are specific to the cost centres or project budgets relevant to their role.
- e) The Chief Executive has the authority to sub-delegate within the limits of their own delegation. Similarly an officer may sub-delegate within the limits of their own delegation.
- f) An officer's delegation lapses when that officer leaves the organisation at which they obtained such delegated authority or changes position within that organisation. An officer's delegated authority may be revoked by written notice.
- g) The authority is limited to commit expenditure within the budgeted amount. It does not permit expenditure if there is no budget available. If the budget is unlikely to be met or cannot be met then the cost centre overall budget must be managed to absorb the impact.
- h) All expenditure must be approved by an officer with financial delegated authority to incur the expenditure prior to the purchase being committed.
- i) Delegations for revenue contracts must be applied at the same monetary level as for expenditure contracts.
- j) Financial delegated authority amounts are GST exclusive.
- k) Directors and Business Unit Managers are responsible for ensuring appropriate financial delegations are recorded at all times.
- l) Any amendments to financial delegations must be promptly advised in writing to both the officer and the Finance Business Unit.
- m) Records must be generated, filed and retained to maintain an appropriate audit trail. The Finance Business Unit is responsible for retaining records provided.
- n) Failure to carry out duties within financial delegation authority may be regarded as misconduct and/or delegations may be revoked.

Refer to Appendix 1 - Delegations schedule, which includes further detailed information on financial delegations including sub-delegations.

4.3 OVERSPENDING BUDGETS

4.3.1 LTP/ANNUAL PLAN

- a) Council approval is required to exceed the total LTP / Annual Plan budget level. The Council must be informed as soon as it is known that this is likely to occur. The Council can approve revisions to the budgets in the LTP/Annual Plan.
- b) Where overspending could have a significant effect on Council and/or services provided to the public, further public consultation may have to take place on the available options. Council has adopted a Significance and Engagement Policy and if the criteria of this policy are triggered, then further public consultation must take place.

4.3.2 SEEKING APPROVAL FOR OVERSPEND

- a) Authority is delegated to commit expenditure within the budgeted amount. It does not generally permit expenditure if no budget is available. The rule is 'live within the budget'.
- b) For a cost centre over-run, the manager must find savings within the cost centres they are responsible for. This applies to the total budget for a cost centre or the individual programme or project budgets. Operational expenditure (OPEX) cannot be transferred to capital expenditure (CAPEX), and vice versa. The manager must also identify any impact at a project level.

- c) As soon as a manager becomes aware that a cost centre or project budget may be overspent (after assessing for offsetting savings) they must escalate to their Director for resolution.
- d) The Chief Executive has the authority to approve OPEX and CAPEX variances in an activity area by an amount no greater than 5% as long as the overall Annual Plan budget for the year (or approved revisions of this budget by Council) is not exceeded. The Chief Executive may choose to delegate approval of budget overspend variances at an activity level to Directors and/or the Finance and Treasury Committee (a committee of officers).
- e) Overspends without offsetting savings which exceed the Annual Plan budget for the year (or approved revisions of this budget by Council) are required to be reported to the Policy, Finance and Strategy Committee (a sub-committee of Council). This Committee will consider the options available to remedy the issue and make a recommendation to Council.

4.4 BRINGING FORWARD OF CAPEX BUDGETS

- a) At times CAPEX projects are delayed for a range of reasons, for example due to consenting issues, resourcing constraints or delays with finalising and agreeing the design. Where the overall CAPEX budget for the year is expected to be underspent, the Chief Executive has authority to bring forward and accelerate the delivery of CAPEX projects that were planned in the next two years of the LTP/Annual Plan.
- b) The intent here is for the Chief Executive to enable overall progress in the delivery of projects, even if some are experiencing delays. This would be achieved by enabling faster progress of some projects where other projects are progressing more slowly and/or experiencing underspends for that financial year. From a funding perspective, there is effectively a swapping out of projects without having any overall net financial impact.
- c) Ahead of any decisions to bring forward CAPEX projects by the Chief Executive, the Mayor and Chairperson of the relevant Subcommittee, would agree an approach to prioritising which projects are brought forward.
- d) Changes to the timing of CAPEX projects under this delegation must be notified to the Policy, Finance and Strategy Committee as part of the quarterly financial performance reporting process.
- e) The Chief Executive may choose to delegate the approval of this bringing forward of CAPEX projects in this context to Directors.

5. ROLES AND RESPONSIBILITIES

5.1 DELEGATING MANAGERS

Delegating managers are responsible for implementing and operating this Policy within their team. They are accountable for;

- a) Oversight of this Policy within their team;
- b) Ensuring that any Financial Delegated Authorities within their team reflect the requirements of the roles and responsibilities within the team;
- c) Ensuring that any sub-delegations are in writing; and
- d) Ensuring that officers in their team (including acting roles) are aware of and provide written acknowledgement of their understanding and acceptance of the obligations.

5.2 FINANCIAL DELEGATED AUTHORITY HOLDERS

5.2.1 Financial Delegated Authority (FDA) holders are accountable for ensuring that they:

- a) Are aware of their current FDA;
- b) Comply with this Policy in exercising FDA;
- c) Do not misrepresent their authority to third parties;
- d) Ensure that transactions are authorised accurately and appropriately and that sufficient details and supporting information is available if required for compliance monitoring purposes; and
- e) Apply the one-up rule for a decision which may be politically sensitive, there may be personal benefit or a conflict of interest.

5.2.2 Delegated Authority holders who act outside their authority may be subject to disciplinary action.

5.3 GROUP CHIEF FINANCIAL OFFICER

The Group Chief Financial Officer is responsible for:

- a) Maintaining and overseeing this Policy and the financial delegations process;
- b) Ensuring that all original delegations are held in safe custody;
- c) Managing the review process of this Policy; and
- d) Ensuring that appropriate controls are in effect to monitor compliance and for reporting material breaches of this policy to the Chief Executive.

6. EXCEPTIONS

- a) In exceptional circumstances (such as a major incident or civil emergency) the Chief Executive (or other most senior managers available if the Chief Executive is not available) may suspend normal lines of authority and make executive decisions as the situation requires, until such time as Council resolves otherwise. Where practicable, the exercise of any power under this clause which is ordinarily reserved for the Council should be made in consultation with the Mayor (or other most senior member of Council available if the Mayor is not available).
- b) The Chief Executive will have authority to approve unbudgeted expenditure where the incurring of the expenditure relates to purchases required for health and safety or other essential legislative compliance reasons.

7. REFERENCES AND ASSOCIATED DOCUMENTS

- Code of Conduct
- Conflict of Interest policy
- Sensitive Expenditure Policy
- Procurement Policy
- Procurement Guide
- Treasury Risk Management Policy
- Delegations Register (Non-financial delegations, e.g. statutory delegations required by the Resource Management and Building Acts)
- Financial Delegations Register
- Policy Guide to Managing Misconduct.

APPENDIX 1 – DELEGATIONS SCHEDULE

The delegations schedule provides further information about the financial delegations and in particular the sub-delegation by officers. Levels of delegations are provided for as a broad framework for the implementation of the policy.

LEVEL	POSITION WITHIN THE COUNCIL
8	Chief Executive ¹
7	Directors responsible for infrastructure activities Group Chief Financial Officer
6	Other Directors responsible for non-infrastructure activities Business Unit Managers responsible for infrastructure activities
5 or less	Other Business Unit Managers responsible for non-infrastructure activities Business unit managers, managers or team leaders, other Council officers

All figures noted in this delegation schedule are per transaction/commitment or if there is a contract, the total contract costs. All figures are GST exclusive.

	Level 8	Level 7	Level 6	Level 5	Level 4	Level 3	Level 2	Level 1
OPERATING EXPENDITURE (OPEX) AND REVENUE								
Non-restricted OPEX	Unlimited ¹	\$2 Million ²	\$500k ²	\$250k	\$150k	\$50k	\$10k	\$1k
Revenue, excluding rates	Unlimited ¹	\$2 Million ²	\$500k ²	\$250k	\$150k	\$50k	\$10k	\$1k
<u>Restricted items:</u>								
Rates payments for Greater Wellington Regional Council	Unlimited	\$10 Million ³	-	-	-	-	-	-
GST/IRD payroll related payments	Unlimited	\$10 Million ³	-	-	-	-	-	-
Legal advice per legal issue	Unlimited	\$250k	\$150k	-	-	-	-	-
CAPITAL (CAPEX)								
Non-restricted capex	Unlimited ¹	\$2 Million ²	\$500k ²	\$250k	\$150k	\$50k	\$10k	\$1k
<u>Restricted items:</u>								
Sale or purchase of land and buildings including gifts and vesting with no Council approval	Full Council approval required							
Sale or purchase of land and buildings including	Unlimited	\$2 Million	-	-	-	-	-	-

gifts and vesting with explicit Council approval								
Sale of surplus assets	Unlimited	\$500k	\$250k	-	-	-	-	-

NOTES FOR DELEGATIONS SCHEDULE

1.	The Chief Executive's authority is limited by the budgets approved in the Long Term Plan (LTP) / Annual Plan, or any revisions of the budgets in the LTP/Annual Plan which are approved by Council.
2.	Excluding treasury transactions which are covered in the Council's Treasury Risk Management Policy.
3.	Group Chief Financial Officer only.