



Financial Delegations

To allow a driven and enabling Council

Recap of Delegations Review

Business Assurance completed a review on PNCC's financial delegations and reported this to Finance & Audit Committee in August 2022. A key next step proposed was a workshop with Elected Members to kick start the process of updating the financial delegations. Key areas highlighted that required further discussion were:

- Whether the current model and financials caps were fit for purpose
- Whether the current definition for “unbudgeted” was collectively understood and fit for purpose
- The lack of a master list of all fees & charges to determine who has authority to set or vary them
- References in the emergency delegations out of date

This workshop was proposed so that information that wasn't readily available at the time of the review could be validated and some pathways could be presented to Governance.

Workshop Outcome

Today we are looking to achieve the following:

- Clarity on which financial delegation model might be most fit for PNCC and any appropriate ranges
- A collective understanding of what “Unbudgeted” means
- Guidance on which fees should be set by Council
- Confirming Emergency Delegations

It should be noted that the purpose of this workshop is solely to obtain guidance which will enable Management to focus their attention while updating the draft financial delegations. This will ultimately inform the updating of the Delegations Manual and be presented to Council for formal approval.

The right delegations will allow a...

Driven and Enabling Council

Through...

**Efficient & Effective Administration
and Good Management**

Context

Delegations are by nature a...

**Symptom of Health &
Well-being of the Council**

It is therefore...

**Council's Role to Monitor the
Effectiveness of Delegations**

Financial Delegations Model

We will look at:

- Our current model
- Other models for consideration
- What other Councils use
- Other reporting mechanisms
- Consider which model might work best for PNCC
- Depending on model selected, determine the financial limits

Section Outcome: Clarity on which financial delegation model might be most fit for purpose and any appropriate ranges.

Our current model

Other Models for Consideration



Model	Description
LTP / AP is the Cap	<p>The Chief Executive has the authority to commit Council to any transaction that is budgeted expenditure. This <u>can</u> include all authority required to implement all decisions of Council and its subordinate decision-making bodies to achieve the operating, planning, and capital expenditure objectives and projects outlined in the Annual Plan. It includes the ability to commit to multi-year contracts where there is sufficient funding budgeted in each year of the Ten Year Plan for this contract.</p> <p>Should this be a preferred option, then we would require effective monitoring mechanisms in place.</p>
Fixed Cap	<p>Power to commit the Council to transactions (and <u>possibly</u> projects consisting of multiple transactions) up to a fixed cap.</p>
Capex vs Opex	<p>A fixed cap, however, different limits set for capital expenditure vs operational expenditure.</p> <p>Should this be a preferred option, then we would need guidance on which limit applies when there is a capex and opex component to the commitment.</p>
Signing Committee	<p>A fixed cap, however, a higher limit set for a committee with signing authority. This can be as small as the CEO + Mayor or you can include more members and require a minimum number of signatories.</p>
Procurement	<p>A fixed cap, however a higher limit is set if a specific procurement method is applied. I.e. Higher limit for all contracts that were openly tendered for.</p> <p>What are the implications where open tenders get no responses?</p>
Percentage Based	<p>Percentage based caps are set for various programmes. (Only PNCC have this)</p>

What Other Councils Have

Council (pop.)	LTP/AP	Fixed Cap	Capex / Opex	Signing Committee	Procurement Method	% of Budgets
Auckland City Council (1.7M)		√		√		
Christchurch City Council (392K)		√	√	√		
Wellington City Council (217K)	√					
Hamilton City Council (178K)		√		√	√	
Tauranga City Council (155K)	√					
Dunedin City Council (133K)	√					
Hutt City Council (112K)	√					
Whangarei District Council (99K)		√				
Palmerston North City Council (90K)		√				√
Hastings District Council (90K)		√				
New Plymouth District Council (87K)	√				√	
Waikato District Council (85K)		√		√		
Rotorua District Council (77K)		√				

Reporting Mechanisms Available

- During the review, we noted a concern around the lack of Governance oversight of high spend suppliers.
- While we acknowledge that more confidence can be obtained in relation to effective procurement through monitoring reporting, we should not confuse this with setting fit for purpose delegations.
- For instance, the table on the right breaks down the total number of suppliers that we have spent in the specified range with. This can be further broken down to show the name of the supplier and total spend. However, this should be a conversation that is held during the procurement workshop.
- For the purposes of this workshop, we want to avoid confusing the monitoring reporting with the setting of financial delegations.
- There are other reporting mechanisms that can be considered, specifically on the delegations. For instance, reporting can be completed on a lower limit than the approved delegation.

Range	Total No. of Supplier FY22	Total No. of Supplier YTD23 July - Oct
200K - 300K	41	15
300K - 400K	19	9
400K - 500K	12	3
500K - 600K	12	3
600K - 700K	9	1
700K - 800K	7	3
800K - 900K	2	1
900K - 1M	2	1
1M – 2M	10	4
2M +	7	3

Which Models will Enable PNCC?

Next step: depending on the model, a discussion will be held on financial limits that Council is comfortable with.

Financial Limits

Depending on the delegations model that has been endorsed, it might be necessary to provide some preliminary guidance on what the appropriate financial limits might be.

In this discussion, the following should be considered:

- What other Councils have in place
- The number of contracts we entered into during the financial year 2022 (FY22)
- The number of contracts we have entered into during the current financial year (YTD23)
- Implications or potentially unintended consequences of changes to current financial limits

What Other Councils Have

Council (pop.)	LTP/AP	Fixed Cap	Capex / Opex	Signing Committee	Procurement Method	% of Budgets
Auckland City Council (1.7M)		√ 20M		√ 22.5M		
Christchurch City Council (392K)		√	√ 10M (C) / 5M (O)	√ 15M (C) / 10M (O)		
Wellington City Council (217K)	√					
Hamilton City Council (178K)		√ 250K		√ 3M	√ 3M* if openly tendered	
Tauranga City Council (155K)	√					
Dunedin City Council (133K)	√					
Hutt City Council (112K)	√					
Whangarei District Council (99K)		√ 3.5M				
Palmerston North City Council (90K)		√ 800K				√
Hastings District Council (90K)		√ 10M				
New Plymouth District Council (87K)	√				√ >500K	
Waikato District Council (85K)		√ 1M		√ 2M		
Rotorua District Council (77K)		√ 300K				

Spend 2022 Financial Year

Financial Commitment	Number of Commitments	Capex	Opex	Capex and Opex
200K - 300K	23	9	14	-
300K - 400K	17	5	12	-
400K - 500K	10	7	3	-
500K - 600K	2	2	-	-
600K - 700K	2	1	1	-
700K - 800K	-	-	-	-
800K - 900K	1	-	1	-
900K - 1M	0	-	-	-
1M – 2M	5	3	1	1
2M +	7	5	1	1
Total	67	32	33	2

Spend 2023 Year to Date

Financial Commitment	Number of Commitments	Capex	Opex
200K - 300K	14	4	10
300K - 400K	4	2	2
400K - 500K	5	2	3
500K - 600K	5	1	4
600K - 700K	1	-	1
700K - 800K	1	1	-
800K - 900K	-	-	-
900K - 1M	-	-	-
1M – 2M	-	-	-
2M +	6	3	3
Total	36	13	23

Implications of changes to financial limits

The organisation is currently used to working within certain limits and therefore the following implications should be considered when making the decision to set new financial limits.

- As procurement gains further maturity the organisation could see an increase in larger contracts and a reduction in smaller contracts.
- Administration costs can increase or decrease.
- Procurement life cycle will increase. For instance, if additional approvals are required then additional time will need to be proactively planned for. Therefore a cultural shift will be required.
- With the current market constraints, some contractors are less willing to hold prices for very long. Should limits be reduced and more approvals be required then we may risk paying higher prices.
- When setting any limit (existing included) there is a risk that in an attempt to make timely decisions, Officers may restructure work to fit within the approved limits. Ultimately putting best outcomes at risk. This risk will be heightened if the financial limits are reduced from the existing limits and will be reduced if it is increased.

Taking the model endorsed earlier, what financial ranges are Governance comfortable with?

Next step: The guidance provided will be taken by the Chief Finance Officer and translated into a proposal. If any implications are identified (i.e. system constraints) then these will be highlighted and substitute options provided for consideration. This will ultimately come back to Council.

Unbudgeted Spending

We will look at:

- Definition & Delegations
 - What is our current definition for “unbudgeted” and current delegation
 - Considerations for what is budgeted and what isn’t
 - What others Councils do
 - Governance guidance on which model is considered most fit for purpose
- Reporting
 - What current reporting requirements are
 - Governance guidance on what level of reporting is appropriate

Current Definition in Practice

The term budget currently means the sum of (e.g. capital new programmes) for a financial year, at an Activity level, in the last adopted 10 Year Plan, and as amended by an adopted Annual Budget or amendment to the 10YP or by resolution of Council. So unbudgeted means expenditure (or presumably revenue) that is outside of that.

Current Delegations

- Enter Transactions: \$50,000 either alone or in aggregate with all other expenditure the Council is committed to for unbudgeted items that would otherwise be an individual capital programme.
- Budget Variations: \$800,000 (50% of SS) or 30% of aggregate change to Operating Budget, Total Capital Renewal/New Budget within an activity, whichever is lesser.

Anything more requires Council approval.

Key Considerations

When thinking about what we want unbudgeted to mean, we need to think about the following:

- Is an overspend classed as unbudgeted, if so, at an activity level or sub-activity level?
- Is unplanned work classed as unbudgeted, if so, how is that monitored given our system constraints?
- Is increasing a service level classed as unbudgeted, if so, what happens where the bottom line was unaffected? (i.e. more parking wardens offset by additional revenue)
- Is increased expenditure to meet existing service levels classed as unbudgeted? (i.e. resource consent demand)
- Or, are we happy with the current definition?

Models Other Councils Have

Model	Description
No Authority to Spend	No flexibility is offered to spend beyond the LTP approved budget. It would be implied that if there is unplanned work, overspend or increase in demand then that requires council approval.
Budget Variation	Flexibility is allowed to vary budgets as long as the bottom line is the same. Restrictions can be added to be applicable within Activities or Sub-Activities.
Individual Cap	Where delegation is restricted to a specific item. This could be a Transaction, Activity, Sub-Activity.
Overall Annual Cap	Where a cumulative cap is set for the financial year for all unbudgeted items.
Have a Signing Committee	A limit set for a committee with signing authority. This can be as small as the CEO + Mayor or you can include more members and require a minimum number of signatories. This could be the only delegation or set as a higher cap in between the CEO and Governance.

Which models and financial ranges might work best for PNCC?

Next step: If required, get guidance on what reporting might be required.

Current reporting requirements

Budget variations that result in change above 10% of Operating/Programme Budget or 30% of SS, whichever is lesser.

Another option:

Consider setting a fixed amount and require any variations above it to be reported.

What reporting will be most effective in the future?

Fees & Charges

We will look at:

- Setting Fees & Charges
 - Instances where it is not currently set by Council
 - Options Available
 - Guidance from Governance
- Definition for “sum” & Guidance

Setting & Varying Fees and Charges

During the review it was noted that there is no master list maintained that recorded all our fees and charges, and who had authority to set or vary them. Creating a risk that they may not be set at the right level.

Currently Council has subdelegated the authority to set or vary any fee with the exception of those that were adopted by resolution of Council or pursuant to a by-law.

Therefore, it warranted a deeper dive into who should be setting various fees and charges. We were unable to obtain a complete list of fees and charges however, we did get to understand why some fees might not come to Council to be set.

Fees & Charges – Set by CEO

It was noted that there are some valid reasons for why the CEO should have the authority to set some fees & charges. These include:

Fee or Charge	Rationale
Social Housing	Unsubsidised rent is currently set by CEO. A market rent appraisal is completed and then a % increase is determined, taking into account the fact that our tenants are generally either beneficiaries or on lower incomes.
Venues Hiring	To maintain competitive advantage and ability to negotiate on a case by case basis.
Commercial Leases	Typically based on market rental valuations and terms negotiated dynamically on a case by case basis.

Options for the future

Below are some options on how we could set fees and charges in the future:

- Leave delegations as they are
- Set all fees and charges and note exceptions in the manual
- Set all fees and charges and note fee setting / variation process for exceptions in the manual
- Set all fees and charges (implication: administration costs and negative impact on efficiencies, not recommended)

Which option provides Governance with most comfort?

Fees & Charges - Definition for “Sum”

Currently s219 states: The Chief Executive is not authorised to vary, waive, remit or refund any class or category of Fees and Charges, or any Fee or Charge, or any Infringement Fee where the **sum** involved exceeds 1% of the Specified Sum in each case.

What is meant by Sum?

- Is it per transaction?
- Or overall sum for revenue equivalent for the financial year?

Emergency Delegations



Emergency Delegations

During the review it was noted that s211 made reference to “Infrastructure Manager” which is a role title that no longer exists.

The purpose of this delegation is to give an officer the ability to spend at the limit of the CEO in an emergency if the CEO and all Tier 2 Managers are not available.

On the 23rd of August, it was noted that Council approved Head of Risk and Resilience as the replacement for this.

To note that this action point has therefore been closed off.

Next Steps

We will look at:

- The guidance you have provided today will be used by the CFO and Hannah to develop a proposal.
- A draft proposal (including implications and alternative options) will be presented at another follow up workshop
- Any final feedback will be adopted and formally presented in the form of a draft manual in chamber.