Policy

Sensitive Expenditure Policy

External Policy
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Policy owner: Chief Executive Officer

Heart of the West Coast

greydc.govt.nz

MĀWHERA GREY DISTRICT COUNCIL

Content

Purpose

The purpose of the Sensitive Expenditure Policy is to set out expectations for all employees and elected members when using Grey District Council (Council) funds and/or resources.
Sensitive Expenditure is any Council expenditure that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual employees or elected member that is additional to the business benefit to the entity. It also includes expenditure that could be considered unusual for Council's purpose and/or functions. Travel, accommodation, gifts and hospitality are examples of sensitive expenditure.

Policy objective

This policy provides a framework for managing sensitive expenditure and any related conflicts that may arise. The objective is to ensure that all Council expenditure is undertaken in ways that are transparent, appropriate, conservative and has a justifiable business purpose.

Councils are dealing with "public money" and as such expenditure should be subject to the standards of probity and financial prudence expected of a public entity. These expectations are higher than those that exist in the private sector. Expenditure decisions should be made with these principles applied together and no one principle should be treated as more important than another:

- Have a justifiable business purpose.
- Preserve impartiality.
- Be made with integrity.
- Be moderate and conservative when viewed from the stand point of the public and having regard to the circumstances.
- Be made transparently.
- Be appropriate in all respects and made with the proper authority.

Related documents

Council policies and strategies include, but are not limited to:

- Code of conduct
- Conflicts of Interests Policy
- Gifts and Hospitality Policy
- Delegations Manual
- Elected Members Expenses Policy
- Fraud and Corruption Policy
- Procurement Policy
- Vehicle Use Policy
- Credit Card Use Policy
- Mobile device use Policy

Relevant legislation includes but is not limited to:

- Public Finance Act 1989
- Financial Reporting Act 1993
- Privacy Act 1993
- Official Information Act 1982

- Local Government Act 2002
- Local Government Official Information and Meetings Act 1987
- Public Audit Act 2001

For guidelines available from the Office of the Auditor General, please refer to:
https://oag.parliament.nz/good-practice/sensitive-expenditure

Definitions

Actual means as evidenced by the original tax receipt attached to the claim form.

Council means Grey District Council.

Council business[1] (in the context of sensitive expenditure) means attendance at meetings/events for work purposes, which include:

- Conferences
- Training courses
- Statutory hearings
- Meetings with stakeholders and/or community members
- Fact-finding or investigative travel
- Travel.

Council business shall be performed in accordance with all other relevant Council policies and guidelines. Meetings/events which are primarily a social activity, such as recreational events including concerts or sporting games, are specifically excluded from the Council business definition.

Credit card includes vehicle fleet cards, purchase cards and equivalent cards used to obtain goods and services before a payment is made.

Employee means a person employed by the Grey District Council on a temporary, permanent or contractual basis.

Elected member means the mayor, any council member.

Koha is a donation, gift, present, offering, donation or a contribution. A koha is often given as a sign of appreciation to maintain social relationships.

One-up approval is approval granted by a person senior to the person who will benefit, or who might be perceived to benefit, from a purchase. In most instances, this will be the manager, group manager or Chief Executive.

Reasonable means that it is appropriate, fair, moderate, sensible, and within the amount specified by this policy or as deemed reasonable by the appropriate one-up approval.

Sensitive expenditure means any expenditure which could, or could be seen to, give an unjustifiable private benefit to an individual additional to the Council benefit for which the expenditure is incurred. Examples of sensitive expenditure include (but are not limited to) travel to desirable locations, business class travel, expensive hotel stays, entertainment, employee recognition and gifts.

Supplier means a current or potential provider of goods or services to Council.

1. Introduction

1.1 From time to time, employees and elected members incur expenses which could be considered 'sensitive expenditure'. Reimbursement of these expenses is only available when acting in the capacity of their position on Council business.

1.2 Council spends public money and consequently all expenditure is subject to the standard of probity and financial prudence expected of a local authority. Expenditure must be capable of withstanding any public scrutiny.

1.3 Sensitive expenditure will normally have one or more of the following attributes:

- 1.3.1 Potentially results in a perceived or real private benefit to an individual;
- 1.3.2 Considered an 'unusual' expenditure item for Council;
- 1.3.3 Does not directly align with the core business of Council or has an unclear link to the normal business purposes of Council;
- 1.3.4 May involve a conflict of interest (legal or ethical); and/or
- 1.3.5 May be considered an extravagant or immoderate expenditure.

2. Application

2.1 This policy applies to both employees and elected members. All clauses apply to employees, and some to both employees and elected members.

2.2 For employees, the policy should be read alongside the Procurement Policy and those policies referred to on page two (2) of this policy.

3. Principles

3.1 Employees and elected members must exercise proper and prudent behaviour in relation to all expenditure. This includes being honest, accountable, and complying with internal controls.

3.2 **Relevant principles are:**

- 3.2.1 There must be a justifiable business purpose;
- 3.2.2 Expenditure decisions must preserve impartiality;
- 3.2.3 Expenditure must be moderate and conservative, having regard to the circumstances; and
- 3.2.4 The process must be transparent with the appropriate approvals obtained.

3.3 Expenditure must not be motivated by the potential for individual benefit.

3.4 In the absence of a specific rule, good judgement must be exercised taking into account the principles of this policy and the context of a given situation.

4. Approval and reimbursement of sensitive expenditure

4.1 **Authorisation must be given:**

4.1.1 Before the expenditure is incurred, wherever practical;
4.1.2 Strictly in line with the delegated Authority and where budgetary provision exists; and
4.1.3 Where a justified business purpose is evident, in the opinion of the person giving approval.

4.2 **Approval for sensitive expenditure must be granted by the appropriate one-up approval:**

Position seeking approval	Approval granted by
All staff	Manager
Manager	Group Manager
Group Manager	Chief Executive
Chief Executive	Mayor
Mayor	Chief Executive or Deputy Mayor
Elected members	Mayor or Chief Executive

4.3 All claims must be submitted promptly after the expenditure is incurred. Except in exceptional circumstances, this means within one month of the transaction.

4.4 Sensitive expenditure will only be reimbursed if it is deemed to be reasonable, actual and has been incurred directly in relation to Council business.

5. Sensitive expenditure for both employees and elected members

5.1 **Travel and accommodation expenditure**

5.1.1 Travel and accommodation costs may be incurred while conducting Council business elsewhere in New Zealand or overseas.

5.1.2 All travel and accommodation arrangements must be cost effective.

5.1.3 In assessing the best method of travel, consideration should be given to distance, timetable constraints, urgency, personal health, security and safety.

5.1.4 Wherever possible, Council's preferred suppliers should be used.

5.1.5 Reasonable expenses will be met for unexpected events, e.g. overnight expenses due to a cancelled plane flight.

5.2 Air travel

5.2.1 Discounted economy or economy class and/or a discount airline must be the first choice.

5.3 Accommodation

5.3.1 The amount to be spent on accommodation must be the most cost-effective and practical option.

5.3.2 WIFI costs will be reimbursed if required for work purposes and mobile coverage through a Council mobile device is unavailable.

5.3.3 Accommodation check-out times are to be observed. Any additional costs of failing to check out in time are the responsibility of the individual, unless unexpected events have occurred.

5.3.4 Where travel arrangements are extended to accommodate personal arrangements, all costs in addition to the business component of the trip are the responsibility of the individual.

5.4 Beverages

5.4.1 Council will pay for a maximum of two beverages (non-alcoholic) with an evening meal. These must be identifiable on receipts supporting the expenditure.

5.4.2 Minibar costs will not be reimbursed.

5.5 Meals

5.5.1 The Employee can either claim an overnight allowance via payroll or they can claim reasonable meal costs.

5.5.2 One-up approval is required for reimbursement of meals in line with above.

5.5.3 Separate meal expenses will not be met where a meal has been provided as part of the meeting, conference, training or included in the room price.

5.6 Council pool vehicles

5.6.1 Where possible, Council pool cars are to be used for reasonable distances of travel within the South Island.

5.6.2 Council vehicles are not available for private use.

5.6.3 Employees and elected members should endeavour to return Council vehicles as soon as possible following the completion of use.

5.6.4 The Finance Team must be advised if a vehicle is taken home for the night, as Fringe Benefit Tax will apply.

5.7 Rental cars

5.7.1 The most economical type and size of rental, consistent with the requirements of the trip, must be used.

5.7.2 Rental cars are only available for business conducted outside the district.

5.7.3 Private use of a rental car is only permitted in exceptional circumstances and requires One-up approval. All additional costs of private use are the responsibility of the individual.

5.8 Taxis

Taxis, in relation to this policy, include any other alternative form of 'taxi' or rideshare available, such as Uber.

5.8.1 Council will pay for appropriate travel by taxi on Council business. The use of taxis must be cost effective relative to other transport options.

5.8.2 Where possible, shuttles should be utilised for transport to and from airports for reasonable distances where time permits (i.e. for shuttling from a hotel or event to the airport).

5.9 Fines incurred in relation to vehicles

5.9.1 Any fines (parking or traffic offences) incurred while using a Council vehicle or a rental are the responsibility of the driver (unless the fine relates to an aspect of the condition of the vehicle outside the driver's control).

5.10 Parking

5.10.1 The most cost-effective parking option must be utilised. The cost of parking will be reimbursed provided the purpose of the trip is for Council business.

5.11 Private arrangements and stopovers

5.11.1 Employees and elected members with the approval of the relevant Group Manager, Chief Executive or Mayor (as applicable) may undertake private travel before, during or at the end of Council travel, provided there is no additional cost and the private travel is only incidental to the business purpose of the travel. If there are additional costs (such as a difference in the cost of flights) these costs must be covered by the individual.

5.11.2 Travel costs for accompanying spouses, partners or other family members are a personal expense and will not be reimbursed.

5.12 **Entertainment and hospitality expenditure**

5.12.1 Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to catering, such as meals.

5.12.2 All entertainment and hospitality expenditure must be pre-approved where possible and supported by clear documentation.

5.12.3 The business purposes of entertainment and hospitality are:

- Building relationships.
- Representing the organisation.
- Reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with Gifts and Hospitality Policy.
- Building revenue generating streams or revenue.

5.12.4 Council will not reimburse the cost of alcoholic drinks.

5.13 **Koha and donations**

5.13.1 Koha payments and/or donations must be approved by the Chief Executive and must not exceed $1,000.

6. Sensitive expenditure applicable to employees only

6.1 Use of private vehicles

6.1.1. Council will not normally pay for travel by private vehicle when travel by other means is more practical and cost effective. Individuals must use a Council vehicle for Council business, if there is one available.

6.1.2 Prior one-up approval is required for reimbursement for the use of a private vehicle. This is paid per the IRD rate and documented in the “Vehicle Policy”.

6.1.3 Reimbursement will be based on the distance travelled in the most direct route and will be made in accordance with the mileage rate set by the Executive team or as specified in the employee’s Employment Agreement.

6.1.4 The vehicle owner must ensure that they have appropriate insurance cover for the vehicle while it is being used on Council business.

6.2 **Catering for meetings held internally**

6.2.1 Where meetings are hosted internally by employees, external catering should only be provided where either:

- External parties will be in attendance;
- The meeting extends over the lunch time period;
- One-up approval has been obtained; or

- Elected members are present, such as for a workshop, working group or Council meeting.

6.3 Credit card usage

6.3.1 Credit card use is monitored. This is further explained in the Credit Card Use Policy. The card holder is responsible for all purchases made using their card.

6.3.2 The use of Council credit cards for private expenditure or credit is prohibited except in exceptional circumstances, when prior approval is required by the Group Manager or Chief Executive. In these rare cases, the expenditure is to be fully reimbursed to Council prior to the credit card payment being due.

6.3.3 On the card holder's termination of employment, the Finance Manager will arrange with the bank to cancel the card. The credit card must be returned to the Finance Manager, who will ensure it is physically destroyed.

6.3.4 Credit cards may **not be used for cash advances**, unless:

- Cash is required in an emergency (usually related to travel on Council business); or
- Cash is required for official purposes (in rare circumstances) and has prior approval.

6.4 Farewells, long service and retirements

6.4.1 Expenditure on farewells, long service and retirements includes spending on functions, gifts and other items and should not be extravagant or inappropriate to the occasion.

	Length of Service	**Value of Council Contribution/ plus Recognition gift**
Farewells (including Retirements)	2-5 Years	Morning tea
	5+ Years	Morning Tea and gift to the value of $20 per year of service
Long Service Recognition	10 Years	GDC logoed Recognition Item Gift to the value of $100
	15 Years	GDC logoed Recognition Item Gift to the value of $150
	20 Years and every 5 years subsequent	GDC logoed Recognition Item Gift to the value of $200

6.5 Professional memberships

6.5.1 Membership to a professional body is sensitive expenditure due to its personal nature. Payment of professional fees by Council on behalf of a staff member must be:

a) Approved by the Group Manager or Chief Executive;
b) Clearly relevant to the performance of the staff member's duties and responsibilities;
c) For the staff member alone and is not to cover members of their family or other non-staff members;
d) For no longer than one-year in duration unless significant discounts are available and it is reasonable to expect a two year membership to be an advantage to the Council;
e) For the benefit of the Council and are not intended to be a personal benefit to staff members, and accordingly are not liable for fringe benefit tax;
f) Cancelled or transferred to an appropriate staff member if the staff member's employment with the Council is terminated, via resignation or otherwise; and
g) Refunded directly to the Council if the membership is cancelled.

6.6 Goods and services expenditure (loyalty rewards)

6.6.1 Loyalty rewards associated with transactions required to carry out Council are not to be claimed by an individual; this is to ensure the best price and value should always be considered and the potential accrual of awards should not dictate a purchasing decision.

6.7 Private use of Council assets

6.7.1 Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes photocopiers, telephones, cell phones, cameras, means of accessing the Internet, and stationery.

6.7.2 The costs to Council of private use will be recovered, unless it is impractical or uneconomic to separately identify those costs.

6.7.3 The use of Council assets in any private business that any employee may operate is not permitted.

6.8 Council use of private assets

6.8.1 The main issue associated with Council's use of private assets is the risk of Council paying or reimbursing amounts that inappropriately benefit employees. Therefore, prior one-up approval is required.

6.8.2 Council may decide that reimbursing employees for use of private assets is appropriate for reasons such as cost, convenience or availability. Council may also decide to do this in circumstances where it would not fully use an asset of the same type if it acquired it directly. Examples include private vehicles, private cell phones and private computers.

6.8.3 Employees must not approve or administer payments to themselves for the Council's use of their private assets.

7. Failure to comply

7.1 Compliance with this policy is expected. Failure to do so may result in disciplinary action.

7.2 Examples of non-compliance include, but are not limited to:

7.2.1 Unauthorised use or misuse of a Council credit card.
7.2.2 Failure to obtain appropriate one-up approval.
7.2.3 Private use of a Council pool car.
7.2.4 Failure to declare a gift.