

Policy

SENSITIVE EXPENDITURE POLICY

TEAM:	Finance
RESPONSIBILITY:	Business Support Group Manager
ADOPTED:	4 th September 2024
REVIEW:	Every three years, or as required
CONSULTATION:	Internal consultation with employees, Audit NZ
RELATED DOCUMENTS:	Council policies and strategies include: Asset Disposal Policy Code of Conduct (Council and Methven Community Board) Delegations Manual Elected Members' Allowances and Reimbursement Policy Fraud and Corruption Policy Procurement Policy Relevant legislation includes but is not limited to: Commerce Act 1986 Sale of Goods Act 1908 Fair Trading Act 1986 Consumer Guarantees Act 1993 Public Finance Act 1989 Financial Reporting Act 1993 Privacy Act 2020 Official Information Act 1982 Local Government Act 2002 Local Government Official Information and Meetings Act 1987 Public Audit Act 2001

Policy objective

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

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Definitions

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

Council means Ashburton District Council.

Council Asset (in the context of sensitive expenditure) means any physical item owned, leased, or borrowed by Council. This includes photocopiers, telephones, cell phones, cameras, means of accessing the Internet, and stationery.

Council Issued Card includes credit cards, 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 Ashburton District Council on a temporary, permanent or contractual basis.

Elected member means the mayor, any councillor or Methven Community Board member.

Koha is a gift, token, or contribution given on appropriate occasions including;

- Tangihanga:
- Attendance at an event / meeting;
- Speeches or presentations
- For use on or for a marae; and
- Kaumātua support for pōwhiri, mihi, whakatau meetings, or other events.

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.

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

Policy statement

1. Introduction

1.1. From time to time, employees and elected members incur expenses which are 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, consequently, all expenditure is subject to the standard of probity and financial prudence expected of a local authority. Expenditure must be capable of withstanding public scrutiny.

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

- potentially results in a perceived or real private benefit to an individual,
- considered an ‘unusual’ expenditure item for Council,
- does not directly align with the core business of Council or has an unclear link to the normal business purposes of Council,
- may involve a conflict of interest (legal or ethical), and/or
- 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 following policies:

- Asset Disposal Policy
- Fraud and Corruption Policy
- Procurement Policy
- Council Vehicle Use & Eligibility Policy.

For elected members, the policy should be read alongside the Elected Members’ Allowances and Reimbursement Policy, Fraud and Corruption Policy and the Code of Conduct.

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 expenditure controls. The lowest overall cost to the Council should be preferred.

3.2. Relevant principles are:

- there must be a justifiable business purpose,
- expenditure decisions must preserve impartiality,
- expenditure must be moderate and conservative, having regard to the circumstances, and
- 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 by taking into account the principles of this policy and the context of a given situation.

4. Approval and reimbursement of sensitive expenditure

4.1.1 Authorisation must be given:

- before the expenditure is incurred, wherever practical;
- by applying the one-up principle; and
- where a justified business purpose is evident, in the opinion of the person giving approval.

4.1.2 Approval for sensitive expenditure must be granted by the appropriate one-up approval

Position seeking approval	Approval granted by
All employees	Manager
Manager	Group Manager
Group Manager	Chief Executive
Chief Executive	Mayor
Mayor	Group Manager – Business Support
Elected members	Governance Team (on behalf of the Chief Executive) in line with this policy

- 4.1.3 All claims must be submitted promptly after the expenditure is incurred. Except in exceptional circumstances this means within one month of the transaction.
- 4.1.4 Invoices and receipts relating to sensitive expenditure received in other languages must be independently translated to English prior to the claim being submitted.
- 4.1.5 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 applicable to 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. The principles of a justified business purpose, and moderate and conservative expenditure, are particularly relevant for travel and accommodation expenditure.
- 5.1.2 All travel and accommodation arrangements must be made well ahead of the travel date so the expenditure is cost effective.
- 5.1.3 Bookings can be made to leave the day prior to an event, if it is considered reasonable.
- 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.

Air travel

- 5.1.6 Discounted economy or economy class and/or a discount airline must be the first choice.
- 5.1.7 Air points - provided the use of carriers supplying air points does not result in Council incurring additional costs, air points rewards accruing may be kept by the employee.

Accommodation

- 5.1.8 The maximum amount to be spent on accommodation is \$300.00 (including GST) per night, however those booking accommodation must look for the most cost-effective option. One-

up approval may be granted to exceed this limit if there is a clear reason, such as a desire to stay at the location or within close proximity of the event.

5.1.9 Discretionary entertainment expenses such as movies will not be reimbursed. However, WIFI costs will be reimbursed if required for work purposes.

5.1.10 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.

5.1.11 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.

Beverages

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

5.1.13 Minibar costs will not be reimbursed.

Meals

5.1.14 Reasonable meal costs will be met. In general, the total cost (including beverages) is not expected to exceed:

- Breakfast - \$30.00
- Lunch - \$30.00
- Dinner - \$60.00

5.1.15 One-up approval is required for reimbursement of meals where the limits are exceeded. If it is known in advance that costs will exceed the expected limits, one-up approval should be obtained prior to the event (e.g. a dinner booked in advance). In any other circumstances, costs which exceed expected limits will be approved through the claim reimbursement process if the costs are deemed to be reasonable. Otherwise, costs will be partially reimbursed up to the expected limits.

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

5.2 Vehicles and taxis

Council pool cars

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

5.2.2 Council vehicles (except those provided under a remuneration arrangement) are not available for private use.

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

5.2.4 The finance team must be advised if a vehicle is taken home for the night, as Fringe Benefit Tax may apply.

Rental cars

- 5.2.5 The most economical type and size of rental, consistent with the requirements of the trip, must be used.
- 5.2.6 Rental cars are only available for business conducted outside the district.
- 5.2.7 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.

Taxis and Rideshare

- 5.2.8 Council will pay for appropriate travel by taxi or rideshare on Council business. The use of taxis or rideshare must be cost effective relative to other transport options.
- 5.2.9 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).

Use of Private Vehicles

- 5.2.10 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.
- 5.2.11 Prior one-up approval is required for reimbursement for the use of a private vehicle.
- 5.2.12 Circumstances where the use of private vehicles may be considered appropriate include where:
- an absence for a period of longer than two days, or
 - no pool cars are available (it is the responsibility of the employee to ensure pool cars are booked as soon as possible to avoid this circumstance).
- 5.2.13 Reimbursement will be based on the distance travelled in the most direct route. For employees, reimbursement will be made in accordance with the mileage rate set by the Executive team or as specified in the employee's Employment Agreement. For elected members, reimbursement will be made in accordance with the current remuneration authority determination.
- 5.2.14 The vehicle owner must ensure that they have appropriate insurance cover for the vehicle while it is being used on Council business.

5.3 Fines incurred in relation to vehicles

- 5.3.1 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).

5.4 Parking

- 5.4.1 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.

5.5 Tipping

5.5.1 Tipping within New Zealand will not be reimbursed.

5.5.2 Appropriate tipping during international travel will be reimbursed only in places where tipping is local practice, such as the United States.

5.6 Private arrangements and stopovers

5.6.1 Employees and elected members with the approval of the 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.

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

5.6.3 The cost of stopovers will only be reimbursed when they are pre-approved and have a clear business purpose.

5.7 Entertainment and hospitality expenditure

5.7.1 Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to catering, such as meals and alcohol. It also includes non-catering related items, such as entry to sporting or cultural events.

5.7.2 All entertainment and hospitality expenditure must be pre-approved where possible and supported by clear documentation, including the purpose of entertainment or hospitality expenditure along with a GST receipt which shows the date and cost of expenditure.

5.7.3 The business purposes of entertainment and hospitality are for:

- 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 the principles and guidance for provision of hospitality, and
- building revenue.

5.8 Koha, donations, and gifts

5.8.1 Koha payments, donations, and gifts must;

- Be approved by the Chief Executive;
- Reflect the occasion;
- Be clearly documented with the date, amount, description and purpose.

6 Sensitive expenditure applicable to employees only

6.1 Catering for meetings held internally

6.1.1 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.

6.2 Credit card and purchase card usage

6.2.1 Credit and purchase card use is monitored. The card holder is responsible for all purchases made using their card. The cardholder will not give the PIN for the card to anyone else.

6.2.2 The Chief Executive may approve the issue of purchase cards and credit cards to staff where appropriate. Before authorising the issue of cards, the Chief Executive must be satisfied that they are strictly necessary for administrative efficiencies.

6.2.3 In approving the issue of a card, the Chief Executive will confirm the approved limit. Card limits will be set to ensure they are within the limits set in the Delegation Manual.

6.2.4 The use of Council issued 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 card payment being due.

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

6.2.6 Council issued cards may not be used for cash under any circumstances.

6.2.7 Card payments made online need to reflect good security practice as per below:

- purchases are made only from established and reputable companies, and
- the card holder must retain a copy of the online order form and invoice to support the payment.

6.3 Goods and services expenditure (loyalty rewards)

6.3.1 Loyalty rewards associated with transactions required to carry out Council duties are the property of Council. However, individual employees can accrue loyalty rewards to their personal accounts where the accrual is for small and/or infrequent purchases. It is up to the employee to ensure this privilege is not abused. The best price and value should always be considered. The potential accrual of awards should not dictate a purchasing decision.

6.4 Private use of Council assets

6.4.1 Private use of Council assets (for example mobile phone, computer, or tablet) is permitted but must not:

- Include unlawful, offensive or improper activities;
- Affect the business use of the ICT; and
- Involve unreasonable use of resources.

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

6.4.3 Any use of Council assets must be carried out in accordance with relevant Council policies.

6.5 Council use of private assets

6.5.1 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.

6.5.2 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.

6.5.3 Employees must not approve or administer payments to themselves for the Councils use of their private assets.

6.6 Private use of Council suppliers

6.6.1 Employees may have access to some Council suppliers on the same basis as Council, and they may receive preferential access to goods or services, potentially at a preferential price.

6.6.2 The selection of suppliers must be in the interest of Council. The availability or possibility of employees purchasing privileges must not factor into this selection.

6.6.3 Employees may make use of any preferential access to goods or services through Council's suppliers provided the discount offered must be the same discount offered to all Council employees. Payment for any purchases must be made by the employee at the time of purchase.

6.6.4 Employees may not use Council purchasing privileges on behalf of any third party. This includes family members and friends.

6.6.5 In rare circumstances a Council order may include expenditure with a personal component, such as a travel or accommodation booking. In this case, payment to Council for the personal component must be made on confirmation of the cost or the receipt of the invoice from the supplier, whichever occurs first.

6.7 Disposal of surplus Council assets

6.7.1 Disposal and sale of surplus Council assets must be conducted in accordance with the Asset

Disposal Policy.

7 Expenditure related to staff wellbeing

7.1 Farewells, retirements, and long service

7.1.1 Expenditure on farewells and long service includes spending on functions, gifts and other items and should not be extravagant or inappropriate to the occasion and be pre-approved by the Chief Executive.

7.2 Staff welfare and organisational development

7.2.1 Council may make a prudent and reasonable monetary contribution to a social club(s). The contribution may be an annual grant or subsidy for a specific event.

7.2.2 Before approving a contribution, the Chief Executive must be satisfied that there is a justified business purpose. This purpose would typically relate to organisational development and/or staff welfare.

7.2.3 In relation to an end of year function, the amount of monetary contribution will be confirmed by the Executive Team on an annual basis. The budget allocation per staff member must not be exceeded.

7.3 Staff sponsorship

7.3.1 Council will not usually provide sponsorship to employees taking part in an activity that is not part of their job, such as a sporting event. The Chief Executive may decide to allow a modest contribution.

8. Failure to comply

8.1 Compliance with this policy is expected, failure to do may result in disciplinary action.

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

- Unauthorised use or misuse of a Council issued card
- Failure to obtain appropriate one-up approval
- Private use of a Council pool car
- Failure to declare a gift.

8.3 Where situations arise that do not fit the parameters of this policy, the principles of this policy should be applied, and discussion held with relevant parties to determine an appropriate approach.