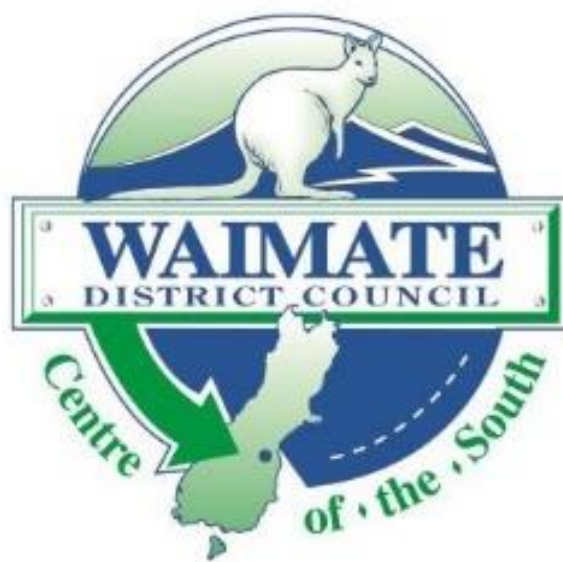


WAIMATE DISTRICT COUNCIL

Sensitive Expenditure Policy 411



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1. Introduction

Sensitive expenditure is normally comprised of one or several of the attributes below:

- The expenditure could potentially result in a perceived or real private gain/benefit to an individual,
- the expenditure is considered an 'unusual' expenditure item for Council,
- the expenditure is not directly aligned with the Council's core business, or that its link to the normal business purpose of Council is unclear,
- the expenditure may involve a conflict of interest (legal or ethical), or
- the expenditure could be perceived as an extravagant or intemperate expenditure.

2. Policy Objective

Sensitive Expenditure Policy (SEP) implements protocols to ensure that Council expenditures in general, and sensitive expenditures in particular, are transparent, conservative, and justifiable, and that all such expenditures would withstand public scrutiny/enquiry.

3. Definitions

For the purposes of this policy, the following terms are defined as below:

Conflicts of Interest exists when staff duties or responsibilities to an entity could be, or could be perceived to be, affected by some other separate interest or duty. Conflict of interest can have both legal and ethical dimensions.

Council denotes Waimate District Council.

Credit Card has the normal meaning, but should also be read as applying to vehicle fleet cards, purchase cards, and equivalent cards used to obtain goods and services before payment is made.

Managers denotes the members, office holders, and senior employees of a public entity.

One-Up Principle denotes that all employees are required to discuss with, and gain endorsement of, their direct manager (one-up) in applicable matters and in particular selected matters relating to the present policy.

Proper & Prudent Behaviour, in relation to expenditure, includes identifying and managing conflicts of interest (or situations with the potential to be perceived as conflicts of interest); being fair, honest, transparent, circumspect, and careful to avoid undesired consequences; and being accountable for complying with organisational controls over expenditure.

Public Entity & Entity have the same meaning as in Section 5 of the Public Audit Act 2001. As provided in that Act, the term includes any subsidiary or other controlled entity of the principal entity.

Sensitive Expenditure is expenditure by a public entity that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual staff member of a public entity that is additional to the business benefit to the entity of the expenditure. It also includes expenditure by a public entity that could be considered unusual for the entity's purpose and/or functions.

Staff denotes all members, trustees, office holders, managers, and employees of a public entity.

4. Scope

SEP applies to all employees and elected members of Waimate District Council, without exception.

5. Principles

SEP is implemented to ensure that all expenditure decisions are operationally rational, economically prudent, and ethically admissible. Hence, under the SEP all expenditure decisions must:

- be cost-effective,
- have a justifiable business purpose,
- preserve impartiality,
- be made with integrity,
- be moderate and conservative,
- be transparent,
- be appropriate, as determined by the circumstances.

Under the SEP, all expenditure decisions are to be in compliance with the following Council policy documents:

- Delegations Policy, to ensure Council's employees and elected members act within delegated authority, AND
- Procurement Policy, to ensure procurement/purchasing decisions are impartial, transparent, lawful, and cost-effective, AND
- Waimate District Council Staff Manual.

Authorised Council employees shall make decisions on payment for each item of sensitive expenditure. Such decision-makers are to exercise prudent judgement in accordance with the principles outlined above, as all decisions are to uphold judiciousness and balance in given circumstances.

The Council's SEP strictly prohibits any expenditure decision being motivated by, or undertaken under, the prospect of individual profit/benefit.

Among the responsibilities of the Mayor, Councilors, and Leadership Team is to be accountable for the judicious expenditure of public funds. Such a general responsibility

includes sensitive expenditure and the supporting internal controls, such as adherence to this policy.

In the absence of specific rule(s)/guideline(s), Council employees and elected members ought to exercise good judgement as informed by both the outlined principles and the given context.

6. Approval of Sensitive Expenditure

Any Authorisation for any sensitive expenditure 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.
- If not explicitly approved by Council, expenditure incurred by elected members is subject to review by the Chief Executive to assess such expenditure's compliance with SEP.

7. Reimbursement for Sensitive Expenditure

- All claims must be submitted promptly after the expenditure is incurred. Except in exceptional circumstances, this means within one month of the transaction.
- Claims will be processed and, if qualified for full or partial reimbursement, reimbursed promptly. Unless in exceptional circumstances, this means within one week (i.e. 5 working days) from the date of claim submission.
- Sensitive expenditure will only be reimbursed if it is deemed to be reasonable, actual, and has been incurred directly in relation to Council business.
- GST-compliant invoices/receipts and other supporting documentation must be submitted for all sensitive expenditure. Credit card statements do not constitute adequate documentation for reimbursement.
- All claims must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim.
- All claims must document the date, amount, description, and purpose for minor expenditure (i.e. <\$20) when receipts are not available.
- Wherever possible, Council's preferred suppliers are to be used.

8. Training/Conferences/Seminars

- Conferences/seminars and training courses can only be attended by employees with prior approval from relevant Group Manager and only booked when the Training Form is completed, preferably via Datacom payroll system, and signed by the employee's Group Manager.

- For elected members, conferences can only be attended with prior approval from the Mayor and only when the Training Form is completed and signed by the Mayor and Corporate Services Group Manager.
- All reimbursement requests must be submitted to the employee's Group Manager via the Expense Claim Form.

9. Training Forms

- Employees are required to complete the training permission form and attach the full course content to the form and present this with all expenses and arrangements to be incurred to the employee's Group Manager for approval.
- Upon the completion of the training, the employee must complete the training evaluation on Datacom.

10. Use of Credit Cards

The use of credit cards is not in itself a form of sensitive expenditure. However, credit cards are a common method of payment for such expenditure. SEP is designed to minimize the risks associated with the use of credit cards, namely:

- inappropriate business-related expenditure,
- obtaining cash for business purposes, with subsequent expenditure being poorly documented or justified,
- obtaining cash for personal benefit or paying for personal items.
- Council will have only one credit card issued in the name of the Council Chief Executive, which shall be kept in a secure position on Council premises.
- The credit card limit will be set and approved by Council or standing committee. The current limit is at \$10,000.
- Approval for the use of credit cards for sensitive expenditure must be granted by the appropriate authority, as listed below:

Position Seeking Approval	Approval Granted by
<p style="text-align: center;">All Employees & Elected Members</p>	<p style="text-align: center;">Corporate Services Group Manager (if Corporate Services Group Manager not available: [by] Accountant) (if Accountant not available: [by] Human Resources Manager)</p>

- Approval process for purchases conducted by using the credit card is as follows:
 - Identify the purchase cost with written verification;

- Initiate a purchase order and have it authorised by the appropriate departmental manager or Group Manager;
 - Take all paperwork to either the Corporate Services Group Manager, or Accountant, or Human Resources Manager, for signed approval to use the credit card;
 - Following approval, the purchase can be made using the credit card;
 - All credit card purchases must have a tax invoice with Council order number quoted, and this invoice is to be forwarded to Council's account payable.
- All credit card transactions must be supported by original documentation to explain and corroborate transactions. The business reason and other parties (if any) must be recorded along with the purpose of the meeting for all entertainment and travel transactions.
 - Credit card use is monitored monthly by Corporate Services Group Manager. Items purchased must be coded by the card holder for entering in the accounting system. Credit card payments must be authorised like other invoices and in accordance with Council's Procurement Policy.
 - The credit card will be paid monthly with the Chief Executive and the Mayor authorising the payment.
 - On the card holder's termination of employment, Corporate Services Group Manager will arrange with the bank to cancel the card. Corporate Services Group Manager will ensure that the credit card is physically destroyed.
 - The use of Council credit card for private expenditure or credit is prohibited.
 - The credit card may not be used for cash advances.
 - Credit card payments made online need to reflect good security practice as per below:
 - purchase only from established and reputable companies;
 - the card holder must retain a copy of the outline order from the invoice to support the payment;
 - online purchases must comply with Council's Procurement Policy.

11. Travel and Accommodation Expenditure

Elected members and employees may incur travel and accommodation costs 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.

- Travel and accommodation expenditure must be in accordance with Council's Councilor Remuneration and Expenses Policy.
- All travel and accommodation expenditure must be approved by Group Manager prior to bookings being made.

12. Air Travel

- Air travel is to be booked well ahead of the travel date, so the expenditure would be cost-effective.
- Air travel may be booked by the individual or the relevant departmental administrator.
- Flights may be booked to leave the night before an event, if it is considered reasonable to do so.
- Discounted economy class, or economy class, and/or a discounted airline must be the first choice.
- Membership of Air New Zealand Club (i.e. Koru programme) is permissible for the Mayor, as the benefits of the programme could facilitate Council's business.

13. Accommodation, Beverages, and Meals while on Council Business

- **Regarding Accommodation:**
 - Accommodation is to be booked by the individual or the relevant departmental administrator.
 - For accommodation booking purposes, the use of offshore-based online companies/websites (e.g. Wotif.com) is generally prohibited, unless in exceptional circumstances, as Council cannot claim GST on these bookings. Exceptional circumstances are:
 - The unavailability of other booking platforms/websites/companies, OR,
 - Significant saving can be made by booking via such offshore-based websites. Significant saving, in this context, is defined as any saving on original purchase price that would either be equal to or exceed 15% of that price.
 - The maximum amount to be spent on accommodation is \$190.00 (including GST) per night. This amount is a maximum, and all those booking accommodation are expected to look for the most cost-effective option available.
 - Where accommodation is greater than \$190.00 per night (including GST), one-up approval is required before booking the accommodation.
 - Staying with friends or relatives, as an alternative to commercial accommodation, is permissible. In such a condition, one can claim the amount of \$50.00 per night to donate to the host to cover the cost of accommodation and/or meals.
 - One must obtain prior approval from the relevant Group Manager for being accompanied by a companion (e.g. a relative or a friend) on any business trip. An employee must pay for any expenses incurred if travelling with their spouse, partner, or other family members that are additional expenses because of that person. That includes additional accommodation fees, meals, airfares, etc.

- Bookings should be requested as soon as arrangements are approved. Accommodation should be selected in close proximity to the event.
 - Accommodation may be booked the night prior to an event, if it is considered reasonable for the employee/elected member to arrive in advance.
 - Discretionary entertainment expenses such as movies will not be reimbursed by Council.
 - Accommodation check-out times are to be observed. In the absence of extenuating circumstances, any additional costs as a result of failing to check out in time are the responsibility of the employee or elected member.
 - Where travel arrangements are extended to accommodate an employee's or elected member's personal arrangements, all costs in addition to the business component of the trip are the responsibility of the employee or elected member.
- **Regarding Beverages:**
 - Council will pay for a maximum of one non-alcoholic beverage with an evening meal. These must be clearly identifiable on receipts supporting the expenditure. Council will not reimburse any purchase of alcoholic beverages.
 - Minibar costs will not be reimbursed by Council.
 - Reasonable expenses will be met for unexpected events, such as, but not confined to, overnight expenses due to a cancelled plane flight.
- **Regarding Meals:**
 - Reasonable meal costs will be met. In general, the total cost (including beverages) is expected not to exceed:
 - Breakfast- \$30.00
 - Lunch- \$25.00
 - Dinner- \$40.00
 - If due to mitigating circumstances the defined cap is exceeded, then an explanation of such circumstance(s) is to accompany the receipt and be presented to the relevant Group Manager or authorising party. The approval of such claims are at the discretion of relevant Group Manager or authorising party.
 - Separate meal expenses will not be met where a meal has been provided as part of the meeting, conference, training, etc.
 - Meals should be charged to the accommodation account; if externally purchased, the employee must obtain a GST receipt to enable reimbursement.

14. Motor Vehicles and Taxis

- **Council Pool Cars**

- Where possible, employees and elected members are to use a Council pool car or other Council vehicles for reasonable distances of travel within the South Island.
 - Council vehicles (except those provided under a remuneration arrangement) are not available for private use.
 - Any fines (parking or traffic offences) incurred while using a Council vehicle are the responsibility of the driver (unless the fines relate to an aspect of the condition of the vehicle outside the driver's control).
 - Council employees and elected members should endeavor to return Council vehicles as soon as possible following the completion of use. An employee should not take a vehicle home for the night, unless in exceptional circumstances.
- **Rental Cars:**
 - Employees must use the most economical type and size of rental, consistent with the requirements of the trip.
 - Rental cars are only available for businesses conducted outside the district.
 - Any fines (parking or traffic offences) incurred while using a rental vehicle are the responsibility of the driver.
 - Private use of a rental car is only permitted in exceptional circumstances and requires the approval of the Group Manager or the Chief Executive. All additional costs as a result of private use are the responsibility of the employee or elected member.
- **Taxis:**
 - Taxis, in relation to this policy, includes any other alternative form of 'taxi' available, such as Uber.
 - Council will pay for travel by taxi for employees and elected members away on Council business. Council expects the use of taxis to be cost-effective relative to other transport options.
 - 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).
 - Reimbursement of taxi fares will be approved on the basis of presenting a GST receipt.
- **Use of Private Vehicles:**
 - Pre-approval is required in order for employees to be reimbursed for the use of a private motor vehicle.
 - Council will not normally pay for travel by private motor vehicle when travel by other means is either more practical and/or cost-effective. Employees are always expected to use a Council vehicle for Council business, if there is one available.

- The vehicle owner must ensure that they have appropriate insurance cover for the vehicle while it is being used on Council business. Any fines (parking or traffic offences) incurred while using a private vehicle on Council business are the responsibility of the driver.
- All reimbursement claims for use of a private motor vehicle must be made on the appropriate form. Reimbursement will be made in accordance with the current mileage rates set by Inland Revenue.
- Elected members will be reimbursed for mileage and travel time in accordance with Council's Elected Members Remuneration and Expenses Policy.

15. Parking

Employees/elected members may utilise airport parking options. The most cost-effective parking option must be utilised. The costs of parking will be reimbursed provided the purpose of the trip is for approved Council business, and that a GST receipt is provided.

16. Tipping

- Council will not reimburse employees or elected members for tipping while they are on business in New Zealand.
- Council will reimburse employees and elected members for appropriate tipping during international travel only in places where tipping is local practice, such as in the United States.

17. Private Arrangement and Stopovers

- Employees and elected members with the express approval of Group Manager or the Mayor (as applicable) may undertake private travel before, during, or at the end of Council travel, provided there is no additional cost to Council, and that the private travel is only incidental to the business purpose of the travel. If there are additional costs incurred (such as a difference in the cost of flights) these costs must be covered by the employee.
- Travel costs for accompanying spouses, partners, or other family members are personal expense and will not be reimbursed by Council.
- The cost of stopovers will only be reimbursed by Council when they are pre-approved and have a clear business purpose.

18. Entertainment and Hospitality Expenditure

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.

The following business purposes of entertainment and hospitality have been identified, as listed below:

- 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;
- Building revenue.

The principles of justified business purpose, moderate, and conservative expenditure are particularly relevant to Council. Council requires tight control of expenditure, and transparent reporting.

- **Regarding Catering for Meetings Held Internally:**

- Where meetings are hosted internally by Council employees, external catering should only be provided where:
 - external parties will be in attendance;
 - the meeting extends over the lunch time period; or
 - elected members are present, such as for a workshop, working group, committee meeting, or Council meeting.
- Supporting Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure.

19. Donations

- Donations made by Council must be:
 - lawful in all respects,
 - disclosed in aggregate in Council's Annual Report,
 - made to a recognised organisation by normal commercial means and not in cash.
- Council must not donate to political organisations.
- The Chief Executive has the delegated authority to make donations. Donations must be within Annual Plan/Long Term Plan budgets and not exceed \$1,000.

20. Koha

- Koha payments must be approved by the Chief Executive.
- Koha payments must not exceed \$1,000.

21. Gifts

Council employees and elected members' impartiality and integrity must be maintained when receiving gifts.

- Employees must comply with the corresponding provisions outlined in Waimate District Council Staff Manual when receiving gifts.

- In all instances, employees must inform their Group Manager or supervisor that they have received a gift for service or appreciation.
- **Pertinent to Elected Members:**
 - Elected members should not abuse the advantages of their official position for personal gain, nor solicit or accept gifts or rewards or benefits that might compromise their integrity. Personal judgement is required by the elected member to determine whether or not to accept a gift, or to declare the gift as a 'gift to the office' as opposed to the individual. For example, most consumable gifts could be considered gifts to the individual, and thus they may not be declared.
 - The exchange of gifts during official international or inter-council visits is accepted practice. These gifts are generally regarded as being to the office rather than to the individual. Any such gifts received should be reported to Mayor's Office, so they can be entered into Council Gift Register. The gifts themselves should also be passed on to Mayor's Office, which will arrange for their display and/or storage.

22. Farewell and Retirements

- Retirement functions are arranged at the discretion of the Chief Executive, and will be moderate and conservative. The level of Council contribution will be dependent on the number of years' service completed by the employee. A gift may be purchased by Council, again dependent on the number of years the employee has worked for the Council (e.g. a clock, or tray, or similar items with engraving for 30 years plus).
- Farewell functions for employees are generally arranged and paid for by the employee who is leaving.

23. Disposal of Surplus Assets

- Council will, from time to time, dispose of assets. Typically, this is when the assets have become obsolete, worn out, or surplus to requirements. Council's disposals must be both transparent and fair.
- Council will not dispose of assets to employees, or elected members, or related parties, at a discounted rate if a greater net value is likely to be realised by an alternative method of sale.
- The principles of preserving impartiality and integrity are particularly relevant. Council employees disposing of assets must not benefit personally from the disposal.
- To ensure transparency, fairness, and receipt of best value for Council, the disposal of assets shall be conducted on the open market or by way of trade-in on a replacement asset, unless the value of the assets is minimal (i.e. <\$200) or the Chief Executive has approved an alternative method of disposal.
- Where disposal to employees or elected members is approved by the Chief Executive, the following principles shall apply:
 - Employees involved in disposing of the asset shall not benefit from the disposal.
 - All assets identified for disposal to employees/elected members shall be valued and subject to a tender or other process proportionate to the value of the asset.

24. Private Use of Council Assets

- Any physical item owned, leased, or borrowed by Council is considered an asset for the purpose of this policy. This includes photocopy machines, telephones, cell phones, cameras, means of accessing the Internet, and stationary.
- The costs to Council of private use will be recovered, unless it is impractical or uneconomic to separately identify those costs.
- The use of Council assets in any private business that any employee or elected member may operate is not permitted.

25. Council Use of Private Assets

- The main issue associated with Council's use of private assets is the risk of Council paying or reimbursing amounts that inappropriately benefit employees or elected members. Therefore, pre-approval by a Group Manager is required.
- 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 is acquired directly. Examples include private motor vehicles, private cell phones, and private computers.
- Employees must not approve or administer payments to themselves for Council's use of their private assets.

26. Private Use of Council Suppliers

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, which is not available to the public. The risk is that the availability of the discount to employees will influence the choice of Council suppliers.

- 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.
- Employees may make use of any preferential access to goods or services through Council's suppliers provided the discount offered be the same discount offered to all Council employees and not be particular to individual employees and/or members.
- In rare circumstances, a Council order may include expenditure with a personal component, such as a travel or accommodation booking. In such cases, 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.

27. Failure to Comply with SEP

All Council employees and elected members are expected to comply with this policy. Failure to do so may result in disciplinary action.

- Examples of non-compliance include, but are not limited to:
 - Unauthorised use, or misuse, of Council credit card,

- Failure to obtain appropriate one-up approval,
- Private use of a Council pool car, and/or
- Failure to declare a gift.

28. Publication Details

All inquiries or suggestions regarding this document should be referred to:	Corporate Services Group Manager
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Effective Date:	4 December 2018
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Document Owner – Release Signature:	Corporate Services Group Manager
Chief Executive – Release Signature:	
Policy can only be amended by:	Council Resolution
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Policy Writer:	L. Milani (Policy Analyst)