

Sensitive Expenditure Policy					
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Approved by	Corporate Finance				
Last review date (if applicable)	16/12/2020	Next review date	16/12/2023		
		Select review period	1yr	2yr	3yr
Policy owner	Chief Financial Officer				

Purpose

The purpose of this policy is to ensure 'sensitive expenditure' is appropriately controlled. It addresses issues referred to in the Controller & Auditor-General's good practice guide, "**Controlling sensitive expenditure: Guide for public organisations**" (October 2020).

Scope

This policy applies to all employees, except for those items of sensitive expenditure specifically provided for by employment agreements.

Definitions

For purposes of this policy, unless otherwise stated, the following definitions shall apply:

Term	Definition
Sensitive Expenditure	Sensitive expenditure is any spending by Council that could be seen to be giving private benefit to a staff member, their family, or friends. It risks harming Council's reputation – for example, if the expenditure could lead to concerns that the spending is inappropriate or lacks a legitimate business reason. Even a small amount can raise concerns if it appears to be improper. Plain English, it is expenditure that could be perceived as a wasteful or extravagant use of ratepayer funds.
Public Money	Funds/Money collected by either central or local government

Statements

1. The Controller & Auditor-General's guide states because 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.
 - (a) 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.
- (b) Sensitive expenditure approvals should:
 - Be given only when there is a justified business purpose.
 - Where practical, be given before expenditure is incurred.
 - Be within delegated authority and statutory limits.
 - Be subject to budget provision.
 - Be given by a person in a more senior position, and who will not benefit.

Credit cards

2. Council provides four credit cards for use by:
 - (a) the travel co-ordinator for on-line bookings;
 - (b) the Executive Assistant to Chief Executive, for Chief Executive, Mayor and Councillors online bookings and associated costs
 - (c) the Library (not based within Council) for small urgent purchases; and
 - (d) Accounts Payable section within Finance for remaining small urgent transactions across Council.
3. Appropriate documentation must be obtained and retained in support of the payment including details of the business purpose for the transaction and delegated authority.
4. Review of expenditure other than travel made on a credit card is actioned by the Financial Services Manager or Chief Financial Officer.
5. One up approval is required for expenditure made by the Financial Services Manager or Chief Financial Officer on the Council issued card.

Air travel

6. All travel involving flights, rental cars or one or more nights away, requires advance approval from the traveller's manager.
7. Technology-enabled options as compared to travel in person should be considered as a first option.
8. Where possible air travel should be booked well in advance to secure the most cost effective airfares available.
9. The Council will not pay for membership of airline clubs unless specifically provided for in an individual employment agreement.
10. Air points earned as part of business travel should accrue to Council where practical and be used to offset the cost of travel where possible.
11. Travel arrangements will only be made for staff, potential staff, elected members or other persons that Council are engaging for work purposes unless specifically pre-approved by either the Chief Executive, Chief Financial Officer or HR Manager.
12. Travel and associated costs of accompanying spouses, partners, or other family members will not be organised or paid for by Council unless specifically pre-approved by either the Chief Executive or Chief Financial Officer.

Meals and accommodation while travelling on Council business

13. Where meals are required while travelling, 'actual and reasonable' meal expenses may be claimed which includes one alcoholic drink with your meal. Claims need to be supported by receipts.

14. The Council will not pay for separate meal expenses if a meal is provided as part of another package paid by Council.
15. Accommodation should be moderate, cost effective and appropriate to requirements, taking into account location, standard, safety and security.
16. The Council will not pay for mini-bar expenses, except in exceptional circumstances.
17. While travelling in New Zealand tipping should either not occur or be made personally as compared to a charge to Council. While travelling outside NZ the principle of moderate and conservative should apply.
18. Where the employee chooses to stay privately and where this will not significantly result in extra travel or other costs being incurred, a daily allowance of \$60 per night may be claimed to allow a gift or contribution to be given to the host.
19. Council does not make payments for the care of dependant while a staff member is travelling for work purposes.

Motor vehicles

20. The most economical forms of transport, appropriate to the purposes of the travel, are expected to be used.
21. The most economical type and size of rental car, consistent with purpose, distance and number of people, is to be used when required for Council business.
22. Staff members are expected to comply with traffic, parking and other laws when on Council business. The driver is responsible for any fines for parking or traffic offences incurred while using Council or rental vehicles.
23. Private use of a Council rented vehicle is not permitted except when authorised by the Chief Executive, or department manager, and where an arrangement is made for the cost to be reimbursed to the Council by the employee.
24. Council vehicles shall not be used for private purposes (except as provided for in formal employment arrangements).
25. Business travel by private motor vehicle should be the exception rather than the rule, be approved in advance (by Departmental Managers) and be limited only to where other means (e.g. Council vehicle, lowest standard airfare (smart saver), rental car) are less practical and/or less cost effective.
26. Reimbursement rates for private vehicle use will be set by Council from time to time in line with the rate set by IRD and reimbursement will require a completed signed claim based on distance travelled. Reimbursement will be capped at the price of alternate airfares.
27. The appropriate rate determined in 26 above will cover the Council contribution to insurance, fuel and any other costs such as depreciation.
28. Staff members are responsible for any fines for parking or traffic offences incurred while using any vehicle for Council business.

Taxis

29. The use of taxis should be moderate, conservative, and cost-effective relative to other forms of transport available to the Council.

Private travel linked with official travel

30. Staff may be allowed to take private travel before, during or at the end of travel on business provided no additional cost is incurred and the private travel is incidental to the business purpose of the travel and pre-approval is granted by the Departmental Manager.

Claims for entertainment & hospitality

31. Advance approval by the Department Manager to incur expenditure for business related entertainment and hospitality is required and should be limited to specific identified staff. Business related entertainment can range from tea/coffee to co-hosting people at a sporting or cultural event.
32. Claims for reasonable levels of entertainment and hospitality for approved business occasions may include reasonably priced and appropriate levels of food and alcohol. The claim must identify the purpose of the expenditure and who attended.
33. It will usually only be for one or more of the following purposes:
 - (e) Building relationships.
 - (f) Officially representing Council.
 - (g) Reciprocity where there is a clear business purpose and is within normal bounds.
 - (h) Recognising significant business achievement.
 - (i) Building revenue.
 - (j) Supporting internal organisational development.

Sale of surplus assets to staff

34. Where practical, assets for disposal to staff should be valued and subject to a tender/auction process that is appropriate to the value of the item.
35. Assets should not be sold to staff at discounted rates if a greater value could be realised elsewhere.
36. Staff responsible for disposing of assets should not benefit from the disposal.

Loyalty reward schemes

37. Where loyalty rewards accrued from Council business in any one financial year equate to a value of less than \$100, the points may be retained by the individual.
38. Where rewards accrued in any one financial year equate to a value in excess of \$100, the points in excess of \$100 may be retained by Council.
39. Staff should keep a record of loyalty rewards accrued and supply Council with the record.

Private use of Council assets

40. Council assets, including photocopiers, stationery, telephones, cell phones, and internet access, should not generally be used for private use unless permitted as per the relevant written policy. EG. Hardware & mobile device Policy.
41. Reasonable levels of use of Council telephones for brief, personal non-toll calls are permitted (e.g. for keeping in touch with children or dependents) but should be kept to a minimum and be undertaken in non-work time where possible.
42. Where an employee is provided with a cell phone, payment of all personal calls must be reimbursed to Council on a monthly basis where an additional cost is incurred by Council.

43. Employees provided with IT hardware and software to be housed at their place of residence to assist with Business Continuity Planning are permitted reasonable levels of use of such equipment.

Council use of personal assets

44. Reimbursement for Council business use of personal assets may from time to time be approved for reasons such as cost, convenience and availability and where Council would not fully use such an asset if it acquired it directly. Examples include private motor vehicles, private cell phones, home telephones and computers.
45. Staff member's manager to approve use of personal assets; and must ensure principles of justified business purpose, impartiality and integrity are applied. Staff members must not administer the payment for the use of their personal assets.

Personal use of Council suppliers

46. Managers are responsible for ensuring that the selection of suppliers is in Council's interests and is not affected by purchasing privileges available to staff.
47. Access to staff preferential purchases from suppliers is subject to:
- (a) Use of such privileges being moderate.
 - (b) Personal purchases not being made on behalf of third parties (such as family members, friends).
 - (c) Payment being made in full at time of purchase by the staff member to the supplier.
 - (d) Council not being used as a source of credit.
 - (e) Staff time should not be used to procure goods and/or services for an employee's personal benefit.
 - (f) Value and quantity limits being set where appropriate.
 - (g) Accounts Department monitoring staff purchases to avoid risks to future procurement decisions.

Clothing

48. Staff will not be entitled to expenses for clothing (e.g. dry cleaning) for normal business activity.

Financing social club activities

49. Any payments by Council to the staff social club shall be prudent and reasonable, and have a justified business purpose, e.g. staff well-being and organisational development.

Farewells and retirements, recognition & acknowledgement

50. Expenditure on farewells, (including cost of functions and gifts) and acknowledgement & recognition as per the Council's Acknowledgement & Recognition and Staff Leaving & Other Gifts policies. Other gifts may be made with specific pre-approval by either the Chief Executive or Chief Financial Officer. These items should be moderate and relevant, and in liaison with HR, pre-approved at Chief Executive or department manager level.

Sponsorship of staff

51. Staff teams may apply for sponsorship via the Council Support of Participation in Community Events Policy. Sponsorship should have a justifiable business purpose.
52. Individual staff taking part in an activity that is not part of their job will not receive sponsorship from Council.

Donations

53. As a general principle, the Council does not make donations.
54. However on rare occasions where a donation is approved by a Departmental Manager it must be disclosed, consistent with Council business, lawful, non-political, appropriate in size to the circumstances, and should not result in any counterpart obligation. It should be to a recognised organisation rather than an individual, and be by normal commercial means (e.g. bank transfer rather than cash).

Koha

55. Koha is a gift, token, or contribution given on appropriate occasions including:
 - tangihanga;
 - attendance at an event/meeting;
 - for use on or for a marae; and •
 - kaumātua support for pōwhiri, mihi whakatau meetings, blessings or other events.

The probity issue associated with koha is that it is discretionary and usually un-receipted expenditure.

56. Koha payments may be pre-approved by Departmental Managers for the attendance at a Hui to assist the Marae meet the costs of holding the event. What constitutes an appropriate amount will depend on the size of the Hui and how widely Iwi representation has been drawn, i.e. local, District (all of Marlborough), out of District. Expenditure should be clearly documented with the date, amount, description, and purpose. Generally payment should not exceed \$500 and ideally be paid by bank transfer, recognising that this may not always be practical or acceptable.

Payments which are not Koha

57. Payments of the following types are not, and must not be described as, koha. Any such payments must be charged to the appropriate expenditure account, as noted there are taxation implications which affect these decisions.
 - (a) Any payment for personal services, this is not koha and may create a requirement for Council to deduct tax, withholding tax or PAYE.
 - (b) Any payment for the provision of services or a fee for services – this is a business transaction and the payment is treated by the IRD as taxable income to the recipient.
 - (c) Any payment for the use of marae premises involving accommodation, food, drink and/or other services that is strictly a business arrangement.
 - (d) Any other payment that is not an unconditional gift – all such payments are assessable for tax in one form or another.
58. For all such (non koha) payments to a marae or other entity which is registered for GST such tax is payable by the Council in addition to the amount charged by the marae and is subsequently accounted for by the marae as GST input tax.

Procedures

When making sensitive expenditure claims

59. Claims should be made using the reimbursement form available on SID and comply with this Policy.
60. Clearly state the business purpose - where this is not clear from supplier documentation a written statement should be included.

61. Be accompanied by original supporting documentation such as tax invoices (credit card statements are not adequate).
62. Be submitted soon after expenditure is incurred.
63. Include a description, date and amounts where receipts are not available for minor expenditure (eg parking meters).

Responsibilities

Function	Responsibilities
Employees	To gain authorisation from their manager before proceeding with any items which are considered as being of a sensitive expenditure nature.
Managers	To ensure all staff have an awareness and understanding of this Policy

Questions

Chief Financial Officer

References

Name	Location
Auditor General's Controlling sensitive expenditure: Guide for public organisations https://oag.parliament.nz/2020/sensitive-expenditure	
<i>To open the documents below, please use the CM number including * and open the latest version.</i>	
Reimbursement form	CM Reference Number 167666*
<i>This Policy should be read together with the following other policies and processes.</i>	
Staff Code of Conduct	• CM Reference Number 164854*
Conflict of Interest Policy	• CM Reference Number 1673952*
Fraud and Corruption Policy	• CM Reference Number 1673954*
Acknowledgement and Recognition Policy	• CM Reference Number 164810*
Gifts for Staff Leaving & Other Gifts Policy	• CM Reference Number 16103332*
Staff Purchasing Policy	• CM Reference Number 16114537*
Staff Benefits Brochure	• CM Reference Number 16114545*
Cell Phone Reimbursement Policy	• CM Reference Number 16114559*
Council Support of Staff Team Participation Policy	• CM Reference Number 166442*
Internet and Electronic Communication Policy	• CM Reference Number 11180355*
Procurement Policy	• CM Reference Number 12233127*

Record of **Amendments**/Revisions

Record any revisions/amendments which have been made and when.

Details	Approval by whom	Date
Updated to Council template	Chief Financial Officer	28/09/2015
Policy Reviewed	Chief Financial Officer	12/05/2016
Update to Section 49 – Koha	Chief Financial Officer	27/06/2016
Air Travel and Farewells and Retirements, Recognition & Acknowledgement sections updated with pre-approval information	Chief Financial Officer	7/06/2019
Policy Reviewed with minor changes	Chief Financial Officer	16/07/2019
Policy reviewed to align with Auditor General's October 2020 guideline	Chief Financial Officer	16/12/2020