

Sensitive Expenditure Policy

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1 Introduction

- 1.1 The Sensitive Expenditure Policy sets out expectations for all staff and elected members when using Waikato District Council (Council) funds and/or resources.

2 Purpose

- 2.1 To provide a framework for staff entering into or approving sensitive expenditure and other financial transactions on behalf of Council.

3 Definitions

Approving Manager	A staff member's line manager or a manager higher in the financial delegation approval hierarchy.
Entertainment expenses	Expenditure on food, beverages, tickets for events, and related supplies for events, involving one or more Council staff members and/or one or more guests, and the purpose of the expenditure is to represent Council or provide reciprocity of hospitality or build business relationships in pursuit of Council goals.
Official function	Social functions, entertainment events, ceremonies, meetings, special events and conferences that can be demonstrated to provide clear benefit to Council. Such functions must be sanctioned by the Chief Executive, or the relevant General Manager.
Credit card	Includes vehicle fleet cards, purchase cards (P-Cards) and equivalent cards used to obtain goods and services before payment is made.

Sensitive expenditure

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

Travel, accommodation, gifts and hospitality are examples of sensitive expenditure.

Supplier

A current or potential provider of goods or services to Council.

4 Application

4.1 This policy applies to all elected members (including Community Board and Community Committee members) and staff of Council.

5 Policy statements - Principles and Controls

5.1 Principles and ethics

Council spends public money and, consequently, all expenditure should be subject to a standard of probity and financial prudence expected of a local authority and be able to withstand public scrutiny.

Council is obliged to safeguard and use its resources in a responsible manner. Furthermore, Council staff and elected members must guard against actual or perceived conflicts of interest in regard to the use of those resources. Due to the risk of perceived or actual personal benefit to the staff or elected member arising from certain expenditure categories, such as travel, accommodation, gifts and hospitality, the Controller and Auditor-General defines them as 'sensitive' expenditure.

Council expects all staff involved in arranging, making or approving sensitive expenditure to:

- a) do so only for Council purposes;
- b) exercise prudence and professionalism;
- c) not derive personal financial gain;
- d) act impartially;

- e) ensure the expenditure is moderate and conservative in the context of the given situation;
- f) have read and adhered to this and other relevant Council policies.

Council's two Codes of Conduct identify the required behavioural standards for staff and elected members in all areas of their work.

5.2 Determining when sensitive expenditure is appropriate

In deciding what appropriate sensitive expenditure is, elected members and Council staff need to take account of both individual transactions and the total amount of sensitive expenditure. Even when sensitive expenditure decisions can be justified at the item level, the combined amount spent on a category of expenditure may be such that, when viewed in total, Council could be criticised for extravagance and waste.

5.3 Responsibilities of the Mayor, Councillors and Executive Leadership Team

Overall responsibility for this policy rests with the Mayor, Councillors and the Executive Leadership Team (ELT). This group must make it clear to staff what is and is not 'acceptable sensitive expenditure' and model those behaviours to the highest standard.

5.4 Controls and judgement

In the absence of a specific rule for a given situation, the Mayor, Councillors and ELT are expected to exercise good judgement by taking the principles in this policy into account in the context of the given situation.

The Mayor, Councillors and ELT are required to ensure transparency in both sensitive expenditure and remuneration systems, to avoid any trade-off between the two. Items of expenditure that may not be justified under the principles of this policy should not be included as part of an employee's remuneration for the purposes of avoiding scrutiny against sensitive expenditure principles.

5.5 General controls

All claims must be submitted promptly, on the relevant expense reimbursement form, after the expenditure is incurred. Except in exceptional circumstances, this means within one month.

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

Claims relating to sensitive expenditure need to be separate claims for each person whenever possible, or where a claim relates to more than one person (e.g. joint travel), it should be made by the most senior person and list the other individuals to whom the expenditure relates. Valid, original GST compliant tax invoices/receipts and other supporting documentation must be maintained/submitted for all sensitive expenditure. Credit card statements and EFTPOS receipts do not constitute adequate documentation for reimbursement.

Claims relating to sensitive expenditure need to be in English or Te Reo Maaori (or translated before submitting for approval). All claims must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim.

5.6 Approval of sensitive expenditure

Approval of sensitive expenditure must:

- a) be given by a person senior to the person who will benefit or might be perceived to benefit from the expenditure, wherever practical;
- b) be given before the expenditure is incurred, wherever practical;
- c) be made strictly within delegated authority and only where budgetary provision exists;
- d) ensure that all budgetary considerations include the fringe benefit tax impact; and
- e) only be given where the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met.

Expenditure incurred by the Mayor or other elected members (not explicitly approved by Council), will be reviewed by the Chief Executive (CE) for compliance with this policy.

In the case of General Managers, approval must be given by the CE. In the case of the CE, approval is required from the Mayor.

6 Policy Statements – Specific Areas of Expenditure

Council credit cards

6.1 Bank credit cards

The Chief Financial Officer (CFO) operates a credit card account, in the name of the CE, solely for the procurement of goods or services through the internet.

The credit card spending limit is \$20,000 and the maximum limit per transaction is \$2,500.

Changes to the spending limit shall be approved by Council's Performance and Strategy Committee. Transactions greater than \$2,500 can be approved by any two of the Mayor, CE and a General Manager (GM).

The credit card is to be stored securely and the card details, such as card number and expiry date restricted to the staff involved in its administration.

Internet purchases are to be made by a delegated member of the Finance team who will ensure that:

- a) Purchases are made only from established reputable companies known to Council;
- b) Internet sites are secure, and the vendor is reputable;
- c) The procurement complies with Council's Procurement Policy and manual controls; and
- d) A copy of the online order form and invoice is printed to support the payment.

The delegated Finance staff member shall provide a report to the CFO on transactions made on the credit card during the previous month. Such reports shall include the nature and quantum of expenditure and copies of relevant documentation.

Should the credit card be lost or misplaced, the card is to be cancelled immediately, and a replacement sought.

Where approval is given by the CFO or CE to cancel the credit card, the delegated Finance staff member shall promptly destroy the card and advise the issuing bank of its cancellation.

The credit card is not to be used for cash advances and is not available for private use.

If any misuse of the credit card is identified, Council's Fraud Prevention Policy will apply. Council will pursue recovery of the debt wherever possible and practicable in accordance with the 'Report and Investigate Fraudulent Activity' process.

Council's Performance and Strategy Committee will authorise the issuance of any further credit cards on recommendation from the CE, who must be satisfied that the issuance of any extra card(s) is essential for administrative efficiencies. In recommending the issue of a card the CE/CFO will also include the approved credit limit.

6.2 Fleet Fuel Cards

Fuel cards are provided in each Council-owned vehicle for the sole purpose of re-fuelling the fleet vehicle. When purchasing fuel, at designated service stations, the driver must provide the station attendant with the current odometer reading.

Fleet fuel cards shall not be used for car washes or for fuelling private vehicles or for any other private expenditure.

Travel and Accommodation

6.3 General

Elected Member and Staff may need to incur travel and accommodation costs while conducting legitimate Council business elsewhere in New Zealand or overseas. Expenditure should be economical and efficient, having regard to purpose, technology-enabled solutions as opposed to travel in person, distance, time, urgency and personal health, security and safety considerations.

Without prior approval no additional costs will be paid by Council after the conclusion of the conference.

Domestic travel should be undertaken in the most cost effective, practical and efficient manner. For example, travel to Auckland or Taupo or Tauranga is most efficient by car. Travel to Wellington or the South Island will usually be by air.

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

Any fines (parking or traffic offences) incurred in using motor vehicles are the responsibility of the driver, not Council. This clause does not include any offences in relation to Warrant of Fitness or registration of Council fleet vehicles.

The use of communication technology (e.g., mobile phones, telephones, email, and internet access) should be moderate. Reasonable private use to clear email and communicate with family members, while travelling on council business, is permitted. Staff and Elected Members must use Wi-Fi networks or pre-paid data packages and not use cellular network roaming when travelling internationally.

Staff will generally be permitted to take annual leave in conjunction with Council business as long as the annual leave is incidental to the travel. In other words, there must be a clear business purpose for the travel, and this is the primary reason for the travel. Council will not fund any costs associated with private travel or annual leave (other than utilisation of accumulated annual leave for staff).

Elected Members, General Managers and staff, with the express approval of the Mayor, CE or General Manager (GM) respectively may undertake private travel (extended travel) before, during or at the end of Council travel, provided there is no additional cost to Council and the private travel is only incidental to the business purpose of the travel.

Council will not reimburse elected members or staff for tipping while they are on business in New Zealand. Council will reimburse elected members and staff for low to moderate tipping during international travel only in places where tipping is local practice.

With the exception of the annual LGNZ Conference where delegate members' spouses may attend at Council's cost (refer to Conferences and Seminars Policy – Attendance and Payment of Expenses), as a general principle, the travel cost of accompanying spouses, partners or other family members are a personal expense and will not be reimbursed by Council.

6.4 Private Vehicle

Generally, Council will not pay for travel by private motor vehicle where travel by other means is more practical and cost effective. Staff are expected to always use a Council vehicle for Council business if one is available.

Where the use of a private vehicle is approved for Council-related business, the staff member must ensure 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. Staff reimbursement for the use of a private vehicle will be made in accordance with the Reimbursement of Expenses Policy

Reimbursement for the use of private vehicles for elected members will be made in accordance with the Reimbursement of Mileage and Expenses - Elected Members Policy.

Air Travel

6.5 General

To the extent practicable, air travel is to be booked well ahead of the actual travel date, so the expenditure is the most cost-effective possible.

All travel bookings are to be made in accordance with the Request Corporate Travel and/or Accommodation process and associated guidelines.

All air travel shall be booked through an Executive Assistant (EA) or appropriate staff member to ensure that competitive prices are obtained.

Discounted economy or economy class (or a discount airline if applicable) is to be the first choice for journeys. The CE or Mayor may consider an upgrade to another travel class, for staff or elected member respectively, in special circumstances, if there is:

- a) no additional cost to Council; or
- b) the cost is covered by the person travelling; or
- c) where the work schedule on arrival, or personal health, safety or security reasons make another class preferable.

Stopovers

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

Airline Membership Clubs

The Mayor and CE will be entitled to Koru Club or equivalent airline membership to reflect the need for travel on Council business. Council will pay for the membership.

The CE may approve membership of such airline travel clubs for other staff provided there is a clear business purpose for the membership. Such approval will be reviewed annually.

The payment of airline fees for membership clubs is not considered to be remuneration.

Airline Loyalty Rewards

Loyalty rewards from air points (or other loyalty schemes) accruing to elected members or staff carrying out their official duties may remain with the relevant elected or staff member provided the use of airlines supplying air points does not result in Council incurring additional costs.

6.6 International Travel

Any proposed international travel on Council business, or for training or personal development of the CE at the cost of Council, must receive prior approval from Council including details of estimated cost and the expected benefit to the organisation and its ratepayers.

This policy does not apply to international travel undertaken for the purposes of training and personal development of staff (other than the CE) if the travel has been approved by the CE and the overall cost has been approved through the Annual Plan or Long-Term Plan process.

Any person travelling internationally on Council business must provide a report to the Mayor or CE upon their return detailing the benefits of the trip.

Meals and accommodation

Refer to Council's Policy on 'Conferences and Seminars – Attendance and Payment of Expenses (including Local Government NZ Conferences).

6.7 Staff

To the extent practicable, accommodation is to be booked well ahead of the actual travel date, so the expenditure is the most cost-effective possible. This must take into account the location of the accommodation relative to the event, the standard of the accommodation (which should be modest) and security issues. The use of '5 star' or 'luxury' accommodation requires the express approval of the CE, prior to the booking being confirmed.

All accommodation bookings are to be made in accordance with the Request Corporate Travel and/or Accommodation process.

Wherever possible use is to be made of Council's preferred suppliers and negotiated corporate rates. Where any staff member chooses to stay in private accommodation, no reimbursement will be made.

Reasonable meal costs will be met except where a meal has been provided as part of the meeting, conference, training etc.

Council will meet the cost of the following expenses whilst staff are on Council business:

- a) Meals (including non-alcoholic drinks) to a maximum cost of \$65 per meal per staff member;
- b) Maintaining business related and family communication, in accordance with 6.3; and
- c) Reasonable expenses for unexpected events, e.g., overnight expenses due to a cancelled plane flight.

Council will not reimburse the following non-business expenses:

- a) Any alcoholic drinks; and
- b) Use of hotel minibar or pay per view.

Accommodation checkout times are to be observed, and Council will not meet any additional costs because of the staff member failing to check out on time except in the case of extenuating circumstances.

6.8 Rental cars and taxis (including those booked via rideshare apps, e.g., Uber)

Rental cars are only to be used if it is impracticable or uneconomic to use a Council vehicle. Council requires that the most economical type and size of rental car be used, consistent with the requirements of the trip. Any fine (parking or traffic offences) incurred while using a rental vehicle are the responsibility of the driver.

Personal use of a rental car is only permitted in exceptional circumstances and requires the express approval of the relevant GM or CE. All additional costs as a result of private use are the responsibility of the elected member or staff member.

Council expects the use of taxis/rideshares to be moderate, conservative and cost effective relative to other transport options. Wherever practicable, shuttle, train or bus services are to be used in lieu of taxis/rideshares.

Taxi cards are only to be used in an individual's name and require the express approval of the CE. All use of taxi cards/chits is to be transparent with the purpose of each trip recorded on the account.

6.9 Entertainment and hospitality

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

There are four business purposes for Council providing entertainment and hospitality:

- a) Building relationships;
- b) Representing the organisation;
- c) Reciprocating hospitality where there is 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
- d) Recognising significant business achievement.

Supporting Council's internal organisational development may, in some circumstances, also be a legitimate business purpose for moderate expenditure.

The principles of a justified business purpose, moderate and conservative expenditure, should be applied.

All entertainment and hospitality expenditure must be pre-approved where practical and always supported by clear documentation. This documentation must identify the date, venue, costs, recipients and benefits derived and/or reasons for the event. The most senior person present (with delegated authority) should approve and confirm the expenditure as being appropriate.

Council will not reimburse the cost of alcoholic drinks.

Refer also to Council's Anniversaries, Long Service Awards and Farewell Policy and Rewards and Recognition Policy.

Staff support and welfare expenditure

6.10 Clothing

Other than official uniforms and health and zero harm-related clothing, elected members or staff will not be clothed at the Council's expense, when they are engaged in a normal business activity.

6.11 Financing Social Club activities

Council may make a prudent and reasonable monetary contribution to the staff social club. The contribution may be in the form of an all-purpose grant towards the club's annual budget, or it may be a grant or subsidy for a specific event or item.

6.12 Farewells, long service and retirements

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. Refer to Council's Anniversaries, Long-Service Awards and Farewell Policy.

6.13 Professional memberships

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 GM or CE;
- 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.

6.14 Sponsorship of staff or others

Staff taking part in an activity that is not part of their job – such as a sporting event – may be sponsored by Council through the provision of, or payment for, goods or services (for example, a t-shirt or an entry fee).

Sponsorship should have a justified business purpose, which could include both publicity for the Council and its objectives and organisational development. The cost to Council must be moderate and conservative. If the sponsorship does not have a justified business purpose, the cost is a donation.

In normal circumstances sponsorship will be provided through a social club rather than directly to the staff member.

Sponsorship of people who are not staff must be undertaken in a manner that is transparent. It is also preferable that, if non-staff are sponsored, the sponsorship is of an organisation they belong to, rather than directly of the individual.

Where a staff member is chosen to represent New Zealand at an international event, special leave may be available at the discretion of the CE. Refer to the Sports, Art and Culture Leave Policy for further information.

Other types of expenditure

6.15 Donations and Koha

Council holds a Koha Policy, which provides specific guidance and practices to follow when making a sensitive expenditure claim for koha.

A donation/koha is a payment (in money or by way of goods or services) made voluntarily and without the expectation of receiving goods or services in return.

Council requires donations to be:

- a) Lawful in all respects.
- b) Disclosed in aggregate in the Council's annual report.
- c) Made to a recognised organisation by normal commercial means (not to an individual).
- d) Non-political.

The amount of koha given on behalf of Council should reflect the occasion and the relationship between Council and taangata whenua and needs to follow Council's Koha Policy.

The following payments are not donations/koha and as such will likely have PAYE/Withholding tax and/or GST implications:

- a) A payment in response to providing a service (e.g. lecturing or presenting).

- b) A payment to a marae for the use of their premises. This may involve accommodation, food and drink, or other related services.

6.16 Gifts

With the exception of Long Service awards, the giving of gifts up to \$300 requires the approval of the relevant GM. Giving of any gift over \$300 requires the approval of the CE in respect of staff, and the Mayor in respect of elected members.

The giving of gifts must be appropriate, transparent and reasonable.

Refer to Council's Anniversaries, Long-Service Awards and Farewells Policy.

The receiving of a gift is not strictly sensitive expenditure, but it is nevertheless a sensitive issue. Refer to Council's Gifts and Hospitality Policy for information. Receiving cash gifts is unacceptable in any circumstances.

7 Policy Statements – Other Sensitive Financial Transactions

7.1 Loyalty reward scheme benefits/prizes

Except in the cases of airline loyalty rewards (covered under section 6.5 of this policy), and fuel loyalty schemes Council treats loyalty rewards accruing to staff carrying out their official duties as the property of Council.

Where a reward/prize to the value of less than \$100 is obtained by chance and without inducement, it may be retained by the individual. Rewards or prizes greater than this value should be declared in Council's Interests Register in accordance with the Gifts & Hospitality Policy.

Generally, prizes received from a free competition entry obtained while undertaking Council business are considered to be a loyalty or reward scheme. However, prizes received from competitions at trainings or conference events, or through membership of professional bodies, are considered to be the property of the individual, unless their value exceeds \$100, in which case they are to be considered as a gift and disclosed in the Interests Register in accordance with the Gifts & Hospitality Policy.

In situations where receiving a prize or loyalty reward could be perceived as inappropriate, even if Council rather than the individual would benefit from it, Council expects the prize or reward to be declined.

Private use of Council assets

7.2 General

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

The cost to Council of the personal use of any asset will be recovered wherever possible, unless it is impractical or uneconomic to separately identify those costs.

Personal use of photocopiers is permitted in limited circumstances. Such use should be restricted to lunchtime or after work when the copiers are not so busy, and payment for copies taken must be paid for in accordance with the current photocopy charges listed in the fees and charges.

Personal use of telephones and mobiles is permitted in limited reasonable use circumstances. Elected members and staff who take council-issued devices overseas on personal trips must cover their own roaming and/or call charges.

Personal use of other assets will only be permitted in limited circumstances and prior approval must be obtained from the relevant manager.

The use of Council assets in any private business that any elected member or staff member may operate is strictly prohibited.

7.3 Council vehicles

Council vehicles (except those provided explicitly under an Employment Agreement) are not available for private use. Full details on the provision of and use of Council vehicles are contained in the Driving for Work Management Standard and the Use of Council Vehicles Policy.

7.4 Private use of Council suppliers

Council does not generally support the private use of Council suppliers by staff. Staff are however able to access supplier discount vouchers through the Boost website. Refer to Waisite for Boost access details. Staff should pay in full at the time of purchase and must not use Council as a source of credit. The Council's resources, including staff time, should not be used to procure goods or services for employee's personal benefit.

The selection of supplier's must be in the Council's best interest and not be affected by the availability or possibility of purchasing privileges for staff.

7.5 Council use of private assets

Council may decide that reimbursing staff 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 motor vehicles, private cell phones and private computers.

Pre-approval by the CE or GM is required. In assessing the request, the CE or GM will pay particular attention to the principles of a justified business purpose and preserving impartiality and integrity.

Staff members must not approve or administer payments to themselves for Council's use of their private assets.

Note: The main issue associated with Council's use of private assets is the risk of Council paying or reimbursing amounts that inappropriately benefit the elected or staff member.

7.6 Disposal of surplus assets

Without the express prior approval of Council, no surplus assets with a market value of more than \$500 per item will be sold directly to staff or elected members. In any event, the sale of surplus assets must:

- a) Maximise the return to Council;
- b) Be sold at no less than the market value determined by an appropriate valuation; and
- c) Be documented by the issuance of a tax invoice and receipt.

Council will not permit direct sales to friends or acquaintances, of staff or elected members, for a surplus asset with a market value of more than \$500.

8 Policy review

This policy shall be reviewed at three yearly intervals or as otherwise required by the CE or CFO.