



## 1.0 Background

“Sensitive expenditure” is expenditure by a public entity, such as a local authority, that could be seen as giving some private benefit to a staff member, their family or friends.

Travel, accommodation, and hospitality spending are examples of areas where problems often arise.

There is heightened public sensitivity when individuals in local government are perceived to benefit personally, or do directly benefit, from expenditure incurred during the conduct of their council’s business. Although the spending may be perfectly justified, its perceived sensitivity means that careful decision-making is needed.

This Policy has been prepared in accordance with Controller and Auditor-General guidance.

## 2.0 Principles

This Policy takes a principles -based approach to making sensitive expenditure decisions. Although a principles-based approach requires careful judgement, it is also flexible and more enduring and practical to administer than a large number of rules.

Expenditure decisions should:

- have a justifiable business purpose
- preserve impartiality
- be made with integrity
- be moderate and conservative,
- be made transparently
- be made with proper authority

These principles should be applied together. None should be applied alone, and no principle should be treated as more important than another. For example, an employee may ask permission to take personal leave in conjunction with business travel. The proposal may raise issues of dominant purpose, impartiality, and transparency. To permit the leave, the Council would need to be satisfied that the primary purpose of the trip was a business one, that there would be no additional cost to the Council, and that the arrangement did not give rise to any perception of inappropriateness.

A properly authorised individual will make the decision for each instance of sensitive expenditure using careful judgement in accordance with the principles and within the particular context of the circumstance.

### Deciding when Sensitive Expenditure is Appropriate

The quantity of money spent on an item of sensitive expenditure may be small in the context of the Council’s total expenditure. However, each sensitive expenditure decision is important, because improper expenditure could harm the reputation of, and trust in, the Council.

Even when sensitive expenditure decisions can be justified at an item level, the combined amount spent on a category of expenditure may be such that, when viewed in total, the Council could be considered extravagant and wasteful and deemed to have failed to ensure the proper and prudent expenditure of public money.

## **Controls and Judgement**

Although having strong controls will help people make good sensitive expenditure decisions, careful judgement is also needed. Careful judgement is required because it is not possible or desirable to set rules for every possible situation that may arise. In the absence of specific rules for a given situation, employees are expected to exercise careful judgement by taking the principles in this policy into account in the context of the given situation.

The Executive Leadership Team have a particular responsibility to ensure sensitive expenditure is appropriate for the organisation. Transparency in both sensitive expenditure and remuneration systems is required to avoid any tradeoffs between the two.

### **3.0 Procedures for approving sensitive expenditure**

Approval of sensitive expenditure should be:

- given only when the person approving the expenditure is satisfied that a justified business purpose and this policy's principles have been adequately met
- given before the expenditure is incurred, unless its for small amounts eg taxi fares
- made only when budgetary provision and delegated authority exist
- given by a person senior to the person who will benefit or who might be perceived to benefit from the sensitive expenditure, wherever possible. Where this is not possible, this fact should be recorded, and any such expenditure should be subject to some form of monitoring.

In the case of the departmental chiefs and third tier managersthe principle of approval by a more senior person (the "one-up" principle) should be applied to the maximum extent possible.

### **Supporting records for expenditure incurred**

Supporting records for claims relating to sensitive expenditure need to:

- Clearly state the business purpose of the expenditure. Where the business purpose is not clear from the supplier documentation supporting the claim, a written statement of the purpose should be included as part of the claim.
- Be the original document (such as tax invoices) or electronic copies that are retained in a way that preserves the integrity and completeness of the document. Credit card statements do not constitute adequate documentation for reimbursement as they do not contain sufficient detail to satisfy this requirement. Document the date, amount, description, and purpose of minor expenditure when receipts are unavailable.
- Be separate claims for each person wherever possible. Where a claim relates to more than one person, it should be made by the most senior person and list the other individuals to whom the expenditure relates. For example when colleagues travel together for business reasons, the most senior person should pay.
- Be submitted promptly after the expenditure is incurred.

### **4.0 Using credit cards and purchasing cards**

The Council has one credit card which is maintained by the Mayor's Personal Assistant. The card is not to be used by other staff members unless authority has been given by the Chief Executive Officer in writing and forwarded to the Mayors Personal Assistant.

The use of this credit card is to be confined mainly for:

- internet bookings such as flights, accommodation and courses;
- internet purchases when it is cost effective to do so and is from an approved supplier;

- other necessary purchases that can only be paid with a credit card.

A record of every purchase using the credit card must be forwarded immediately to the Mayor's Personal Assistant with details of the purchase, the GL code the expense is to be coded to and the approval of the officer with appropriate delegation under the expenditure delegations.

The Chief Executive will approve the payment of the monthly statement.

The credit card should not be used for cash advances

## **5.0 Expenses when travelling**

The principles of **justifiable business purpose** and **moderate and conservative** are relevant.

Travel and accommodation expenditure should be economical and efficient having regard to purpose, distance, time, urgency, personal health, security and safety considerations.

The following list details common types of expenditure that are and are not permitted. It is not an exhaustive list and any sensitive expenditure not outlined here is still subject to the principles and approval processes as stated above.

### **Air travel**

- All travel involving flights, taxis or accommodation requires advance approval from the relevant manager and within the approved expenditure delegations. International travel requires the approval of the Chief Executive Officer.
- All travel involving flights and accommodation should be booked by the Mayor's Personal Assistant to ensure the most cost effective travel options are selected.
- Staff should consider technology-enabled solutions as opposed to travel in person.
- Where possible, air travel should be booked well in advance to secure the most cost-effective airfares available.
- All air travel is to be in economy class. Any exception should be supported with an explanation of the rationale and requires specific authorisation from the Chief Executive Officer.
- The Council will not pay for membership of airline clubs unless the approval of the Council or the Chief Executive Officer has been obtained and a clear business purpose can be demonstrated. Council employees are entitled to receive airpoints or similar frequent flyer rewards. (Refer to Loyalty Reward Schemes further in this policy.)
- In the event of a fare needing to be changed in the normal course of business activity, all attempts should be made to minimise the cost of the change. If an employee caused a change in flight due to circumstances within their control, the change in fare is paid for by the employee concerned.

### **Meals while travelling**

- Employees, who are required to travel away on authorised Council business for more than 24 hours, may claim actual and reasonable expenses for meals.
- "Actual and reasonable", expenses are for the cost of the meal alone, and will not include any tip for service, bar tabs or mini bars.
- Separate meal expenses cannot be claimed if a meal is provided as part of another package paid for by the organisation – for example, when lunches and dinner are included in conference registration.

- Reimbursement of alcohol expenses will not be allowed unless prior approval has been given by the departmental chief or Chief Executive Officer and should be in accordance with the principles of this policy.

### **Accommodation while travelling**

- Accommodation should be moderate, cost effective and appropriate to requirements, taking into account location, standard, safety and security.
- Any exceptions to the above are to be reviewed on a case by case basis by the relevant departmental chief or Chief Executive Officer.
- Accommodation must be booked by the Mayor's Personal Assistant to ensure the most cost effective option is chosen.

### **Transport**

- The most economical form of transport, appropriate to the purpose of the travel, is expected to be used including the use of public transport.
- The use of taxis should be moderate, conservative and cost effective relative to other forms of transport.
- The type and size of a rental vehicle should be the most economical and consistent with the requirements (including the distance, terrain, weather and number of people) of the trip.
- Business travel by private motor vehicle should be the exception rather than the rule, and should occur only when a fleet vehicle is unavailable and with the prior approval of the employee's manager. Where mileage will be claimed, employees should attempt to car pool. The private vehicle should be appropriately insured by the owner. Except in extraordinary circumstances, the Council, or its insurer, does not provide reimbursement of costs resulting from accidents incurred while driving a private motor vehicle while at work.
- Reimbursement rates for private vehicle use will be set by the recommended rates by the Inland Revenue Department and reimbursement will require a completed signed claim based on distance travelled, business reason for travel approved by the relevant manager.
- Council vehicles should not usually be used for private purposes (outside of formal employment arrangements).
- The driver of the vehicle whether Council or private will pay fines ( parking or traffic offences) incurred

### **Tipping**

- The Council does not reimburse employees for tipping for services provided to them within New Zealand.
- Claims for reimbursement will be accepted for reasonable levels of tipping (10% in most instances with a maximum of 15%) during international travel where tipping is the expected local practice.

### **Other travel issues:**

#### **Private travel linked with official travel**

- Employees may take private travel before, during, or at the end of, travel on business provided:
  - no additional cost is incurred by the Council

- the private travel is incidental to the business purpose of the travel
- pre-approval is granted
- All costs associated with private travel will be the responsibility of the employee.
- The Council will provide employees with overseas travel insurance while on Council business abroad. This cover will be extended for up to an additional two days for personal use. Any additional periods (or additional family) must be covered by the individual (although this can be done by reimbursing the Council for extended coverage prior to departure).

### **Travelling spouses, partners or other family members**

- Accompanying persons are allowed provided all additional costs for the accompanying persons are met by the employee, unless otherwise approved by the Chief Executive Officer.
- Travel costs of accompanying persons will only be paid for if the travelling companion directly contributes to a clear Council business purpose. The Chief Executive Officer must pre-approve travel arrangements for a qualifying accompanying person.

### **6.0 Entertainment and hospitality expenditure**

- Entertainment and hospitality can range from tea, coffee and biscuits to organisation-funded hosting at a sporting or cultural event.
- The principles of a **justifiable business purpose** and **moderate and conservative** expenditure are particularly relevant.
- Prior authorisation for any entertainment or hospitality expenses must be given by the departmental chief or Chief Executive Officer.
- Expenditure on entertainment and hospitality may be claimed for the following purposes:
  - relationship building with external stakeholders
  - officially representing the Council
  - reciprocating, where there is a clear business purpose
  - recognising significant business achievement
  - supporting internal organisational development, eg team building.
- Employees, who are required to provide entertainment or hospitality on behalf of the Council for any of the above reasons, may claim actual and reasonable expenses. Payment of such expenses must be undertaken by the most senior council attendee.
- Alcoholic beverages may only be supplied at events for employees with prior approval of the relevant departmental chief or Chief Executive Officer.

### **Team development or planning**

- Team development or planning is aimed at improving the collective performance of a team. The primary purpose must be team development and/or team planning.
- Prior authorisation for any team development or planning event must be given by the relevant departmental chief. The expectation is that a maximum of one full day per annum can be spent on team building.
- Team activities are not included as they are provided for under the Rewards Toolbox.

## Christmas function

- The Chief Executive Officer may host an end of year employee and family's break-up function on a date chosen by the Chief Executive Officer.

## Recognising achievements

- Council may spend money on events to recognise milestones, such as farewells, retirements and staff achievements. Expenditure on farewells and retirements should not be extravagant or inappropriate. The principle of **moderate and conservative** is relevant.
- **Functions** - A function may occur where the employee's termination has been approved and accepted (resignation, retirement or redundancy). It is important that the function reflects the employee's contribution to the Council in an appropriate manner.
  - After six month of continuous service, the cost of the function, or any subsidy toward a function, is to be charged to the respective department and cost centres at the discretion of the manager.
  - A function may include alcohol at the discretion of the manager in consultation with the Chief Executive Officer.
  - At the discretion of the manager, an employee may invite family and applicable external guests, such as where the employee has had a close working relationship with them. The number of invitees will be discussed and agreed to by the manager.
- **Other functions** - Employees are welcome to arrange a morning or afternoon tea, bring a plate and/or contribute to a gift (at their own expense) to share with their team for functions outside of this policy (eg birthdays, personal celebrations, baby showers).

## 7.0 Goods and services expenditure

### Sale of surplus assets to staff

- The principles or **preserving impartiality and integrity** are relevant.
- Assets of reasonable value should not be given away to employees if a greater value could be realised elsewhere. Employees disposing of the assets must not benefit from the disposal.
- Where practical, the Council's assets for disposal should:
  - be offered for internal use elsewhere in the organisation, then
  - be offered to staff to purchase via internal tender (highest bidder wins)
  - if not sold, offer to a community group or charitable organisation that the Council has a relationship with
  - arrange recycling or disposal of goods if none of the above options is met

### Loyalty reward schemes

- The Council does not pay for individual membership of frequent flyer clubs or loyalty reward programmes unless there is a clear business benefit or the membership is part of an individual employment agreement.
- The Council recognises that staff members required to travel regularly on council business may endure some disadvantage or hardship without receiving additional compensation. This includes travelling at weekends, working additional hours, being away from family and other personal commitments.

- In recognition of this, staff may accrue points on their personal frequent flyer and other loyalty programme accounts and retain personal use of the accrued points, provided:
  - use of the specific airline or other service does not incur additional costs to the Council
  - bookings are in accordance with the requirements of this policy

#### **Private use of council assets and services**

- The principles of **transparency** and **moderate and conservative expenditure** are relevant. The Council's assets, such as photocopiers, stationery, telephones, mobile phones, internet and email access, laptops etc, are to be used for business purposes.
- Payment for all personal use of the Council's assets or services which incur a cost is to be reimbursed to the Council promptly.

#### **Council use of employee's assets**

- Personal assets owned by employees, such as vehicles and mobile phones, should not generally be used for business purposes except for reasons such as cost, convenience and availability and where the Council would not fully use such an asset if it acquired it directly.
- Employees must not approve or administer payment to themselves for use of their assets, and managers approving such payments must ensure there is a justified business purpose and the principles of impartiality and integrity are applied.

#### **Council suppliers and private purchases**

- Managers are responsible for ensuring the selection of goods and suppliers is in the Council's best interests and is not affected by purchasing privileges available to staff.
- The Council recognises that there are times when the Council and employees, in the course of their duties, may receive inducements to order specific products from a supplier. It is important that employees retain their integrity and any transactions need to be in the best interests of the Council.
- "Freebies", "free gifts with purchase", "thank you" or "bonus products/gifts" are received directly in response to the Council's spending. For this reason, the 'gift' belongs to the Council, not the employee who ordered/received the gift, and its disposal is at the final discretion of the manager (in line with the Council's Gift Policy). This applies even if the 'gift' is presented to an employee by name.
- Employees may access purchasing privileges from the Council's suppliers subject to:
  - use of such privileges being moderate (not exceeding what any typical consumer would normally purchase)
  - personal purchases not being made with the intention of turning a profit
  - payment being made in full
  - the Council not being used as a guarantee for credit
  - the Council not initially buying the asset and staff reimbursing the Council

#### **8.0 Staff support and wellbeing expenditure**

The Council may provide staff support and wellbeing in various ways where there are benefits to both the organisation and staff. The principle of a **justifiable business purpose** is relevant.

- Significant achievements, new babies, bereavements and serious illness - Employees wishing to send gifts such as flowers (or such other appropriate gifts or acknowledgements) on behalf

of their team, department or the Council, must arrange these through the Mayor's Personal Assistant. These must be approved by the relevant manager.

- Sponsorship - The 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.

## 9.0 Other types of expenditure

The principles of **preserving impartiality, integrity** and being **moderate and conservative** are relevant.

- **Donations** - The Council does not generally make donations. On rare occasions if a donation is approved by a manager, it must be disclosed to the Chief Financial Officer and should not result in any obligations on the Council. Donations should be to a recognised organisation and be by normal commercial means and not cash.
- **Koha** - 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
  - kaumatua support or powhiri, mihi whakatu meetings, or other events.

It is usually discretionary and usually un-receipted expenditure. The giving of koha should reflect the occasion, be approved in advance at an appropriate level of authority and be clearly documented with the date, amount, description, and purpose.

- **Giving Gifts** - Gifts may be given as a thank you for a speech or presentation or when the giving of gifts is customary. In giving gifts Council must ensure that
  - the value or nature of a gift is appropriate to the occasion or the reason for giving it
  - the gift is not given in explicit or implicit expectation of favour in return; or
  - the gift is not given in substitution for legitimate payment or remuneration.
- **Receipt of Gifts, Prizes or Invitation** - Refer to the Council's Gift – Receipt of Gifts, Prizes or Invitations Policy.