

STRATFORD DISTRICT COUNCIL

POLICY: <u>SENSITIVE EXPENDITURE POLICY</u>	
DEPARTMENT: Corporate Services	RESPONSIBILITY: <ul style="list-style-type: none">• Director – Corporate Services
SECTION:	
REVIEW DATE: New	NEXT REVIEW: May 2024
VERSION:	APPROVAL DATE: 13 July 2021

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). The purpose is to ensure that all Council expenditure is undertaken in ways that are transparent, appropriate to the circumstances, and provide value for money for ratepayers.

SCOPE

This is a new policy that is to come into effect from August 2021.

This policy applies to expenditure by staff and elected members that is reimbursed or paid for by the Stratford District Council.

DEFINITIONS

For the 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. In 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

PRINCIPLES

As councils are dealing with “public money”, expenditure should be subject to the highest 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 personally benefit.

TRAVEL

Travel may be required by Council staff to attend meetings, conferences, or offered to staff as part of the learning and development opportunities Council provides. Consideration should be made in the first instance to online, technology enabled alternatives as an alternative to travel. The following principles / guidelines apply:

- If travel by air is required, the employee is expected to take the most cost effective option unless flexibility in travel times or dates is required.
- It is expected that travel will be on the same day of any course or meeting if it is deemed possible for the employee to reach the destination on time. However if same day travel is not practical then travel to the destination the night before, or return travel the next day may be more appropriate, convenient and result in lower flight costs with any additional costs for accommodation to be approved by the Director or CEO.
- Any extension to travel, such as an extra day or night, will be at the employee's expense and leave will be required to be taken.
- Council will not pay for check-in baggage for overnight travel as carry-on luggage is considered sufficient for most staff members' needs. In special circumstances, check-in baggage may be approved for a one night stay at the CEO's discretion. For stays longer than two nights, one item of check-in baggage may be covered by Council at the staff members request.
- There may be occasions where travel by car is more appropriate, or the only way to go. Car-pooling should always be considered and use of Council owned vehicles (rather than rentals) will generally be more economic.
- The use of private vehicles for Council business is not encouraged and all employees must make use of the available Council pool vehicles in the first instance. Where a Council vehicle is not available, then mileage reimbursement will be granted at the Inland Revenue Department mileage rates for statutory bodies and local authorities covered by the Fees and Travelling Allowances Act 1951 and prior approval from the staff member's direct manager and the fleet manager is required.
- Overseas travel must always be approved by the Chief Executive and economy fares taken in all cases.
- Where no additional expense is incurred by Council, airpoints earned may be credited to employee's accounts. In this situation, there is no loss to Council, the airpoints are

generally of minimal worth, and this is some form of recognition of the impact of travelling for work on individuals private time.

- Koru Club membership will not be paid for by Council.
- Council employees are expected to obey all parking and speeding rules and laws. Consequently any fines incurred by Council employees will not be paid for or reimbursed by Council. Any costs billed directly to Council will be on-charged.

Travel must be booked and authorised by completing the Training Form (D18/35224).

MEALS/ALCOHOL

- When travelling on Council business, depending on the time away from Stratford, employees may have breakfast, lunch and an evening meal provided.
- Cost of such meals should not be excessive. A maximum of \$25 for breakfast, \$30 for lunch, and \$50 for dinner should be used as guidance.
- Morning or afternoon tea are considered a personal expense and will not be paid for or reimbursed.
- After hours drinking is permitted with meals and on other appropriate occasions such as at Council functions, conferences and entertaining clients and guests, however alcohol will not be paid for at Council's expense. However, in special circumstances where there is an element of hosting guests, and pre-approval from the CEO or Mayor is obtained, Council may incur alcohol related expenditure, however this must not be excessive.
- The use of mini bars for either drinks or snacks will not be paid for or reimbursed.
- Tipping is not a recognised practice or requirement in New Zealand or Australia and will be regarded as a personal expense if made. It will not be paid for or reimbursed.

ACCOMMODATION

- Accommodation should be booked in a safe, clean facility that does not exceed the mid-range pricing for that location. This will vary from location to location and could be influenced by where the conference/meeting is being held and what else is happening in that town or city at the time.
- If the conference/meeting is being held at a place that offers accommodation, preference should be given to that venue as accommodation to avoid the staff or elected member from incurring additional expense and time travelling between the accommodation and meeting venue.

CREDIT CARDS

Credit cards can provide a more efficient, convenient method of making low-value purchases. There are also situations where payment in advance by credit card is a requirement by some vendors, e.g travel bookings, conferences.

- Credit cards will be issued to Council officers at the discretion of the Chief Executive.
- The credit limit on each card may be up to \$10,000 - the limit is to be authorised by the Chief Executive at the time of application. The maximum limit for each transaction is \$2,500, but may be waived by the Chief Executive prior to incurring the expenditure.
- All credit card expenditure must be supported by original GST acceptable documentation that states the transaction date, amount paid, and description of items purchased. If the transaction is less than \$50, a till receipt is acceptable.
- Expenditure must be consistent with Council's Procurement Policy.

All officers who are issued a credit card must sign the Credit Card Use Declaration as agreement to Council's Credit Card Policy and Sensitive Expenditure Policy.

SALE OF SURPLUS ASSETS TO STAFF AND ELECTED MEMBERS

- Department Managers should investigate the likely market value of any asset considered surplus to requirements, in a manner appropriate to the asset value and significance.
- Assets must not be disposed of directly to an individual Council employee or elected member. However, an internal tender process may be initiated by the Department Manager in control of the particular asset.
- The objective of the tender approach will be to gain the highest disposal price at the lowest cost to Council. A reserve price that is comparable to current fair market value must be set by the Department Manager.
- The maximum estimated asset value for an internal tender process is \$20,000. The Chief Executive must authorise the disposal of any asset internally where the estimated asset value exceeds \$1,000.

INFORMATION SYSTEMS

- Personal use of Council's information systems is allowed providing it is reasonable and appropriate and does not impact on staff productivity.
- Reasonable and appropriate personal use is allowable on Council supplied mobile devices, as it is considered burdensome for staff that are required to have Council phones to carry around more than one phone. Restrictions apply as follows:
 - Personal use must not cause Council any additional costs or impact staff productivity.
 - Mobile devices must not be used for private purposes while overseas, and work use must be limited unless the use has been authorised by the Director and the IT Manager is notified.

CLOTHING

- Staff will not be entitled to expenses (e.g. dry cleaning) related to work clothing provided for normal business activity.

FINANCING SOCIAL CLUB ACTIVITIES

- Council will make annual contributions (of up to \$500) to the Staff Social Club to host an event(s) or initiative(s). The decision on how the contribution is to be spent is to be made by the Social Club Committee.

PRESENTATIONS TO ELECTED MEMBERS AND STAFF

- Expenditure on farewells and recognition of long service will be made in accordance with the Presentations to Elected Members and Staff Policy. Any other presentations or functions will be at the discretion of the Chief Executive (staff) and District Mayor (elected members).
- Other gifts may be made with specific pre-approval by the Chief Executive.

FUNCTIONS

Occasionally, the Council will organise functions for staff and elected members that are paid for by Council. This includes staff breakfasts and Christmas functions. Council will generally use Council owned facilities, and catering should not be more than \$50 per person. Availability of alcohol will be limited.

Catering for staff during work hours, such as for staff meetings or training purposes, may be used where meetings are at least 2 hours, and a Director has approved beforehand. The cost should not exceed \$10 per person for morning teas, or \$15 per person for lunch for in-house catered meals.

GIFTS

Receiving Gifts

It is important to avoid any suggestion of potential bribe or inducement arising from the acceptance of gifts to employees from companies or individuals. Public office has a level of accountability that is different from the private sector.

In all cases where gifts are accepted, the staff member must fill in the gift register (D20/2532).

Staff and elected members must disclose details of any gifts accepted with a value of over \$50, in all cases, to their Director, or to the CEO (if a Director), or the Mayor (the Mayor must disclose to the Deputy Mayor and CEO). This must be followed up by an acknowledgement in writing thanking the person, with the Director, CEO, Mayor, Deputy Mayor or a combination, copied in, and the acknowledgement filed in Content Manager within a week of receiving the gift.

In no case should a gift of cash of any amount be accepted, this includes cash equivalents such as bank transfers, credit, cheques, and vouchers.

Where the gift relates to the perceived performance of a Department or a Team of employees, it is best if it can be shared amongst everyone. There is no problem with accepting gifts such as calendars, diaries, appointment books, low value food items such as chocolates, morning teas etc as these items are common, low-value items used by businesses to acknowledge the business relationship and these items are generally expected to be utilised in the staff member's work environment, therefore no declaration is required. However, if any of these types of gifts become regular, or perceived to be of a regular nature, then the staff member must disclose this to their Director, CEO or Mayor, and elected members must disclose to the Mayor.

Giving Gifts

Council staff may give gifts – such as a thank you for a speech or presentation, or when giving gifts is customary (for koha, refer to the additional guidance below). However, giving gifts presents significant risks, including that:

- the value or nature of a gift is inappropriate or excessive to the occasion or the reason for giving it;
- the gift is given in explicit or implicit expectation of favour in return; and
- the gift is given in substitution for legitimate payment or remuneration.

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. Any koha given must be approved in advance by the Chief Executive and must not exceed \$1,000.

There must be clear documentation of the date the koha was given, the amount, description of event or purpose, and the name of the individual person (and organisation) the koha was given to.

Donations can include any money given out by a Council staff member that does not directly result in a service or good being received.

- Grant funding must be made in line with Council's Community Relationships Policy and approved budgets.
- Donations for work or goods provided are to be in line or less than the market value of the goods or services provided.

EMPLOYEE / ELECTED MEMBER EXPENSE REIMBURSEMENTS

Claims should be made using the *Claim for Expenses* form and must comply with this Policy and should:

- Clearly explain the business purpose for the expenditure - where this is not clear from supplier documentation a written statement should be included
- Be accompanied by original supporting documentation such as tax invoices (credit card statements are not adequate).
- Be submitted soon after expenditure is incurred.
- Include a description, date and amounts where receipts are not available for minor expenditure (eg. parking meters).

Severance Payments

A severance payment is any payment that is made in addition to the employee's contractual entitlements as part of an agreement to end their employment. Severance payments are made to help resolve an unsatisfactory employment situation or might be agreed to bring the employee's employment to an end for other reasons.

The amount of any severance payment must be reasonable, although this is, by necessity, an imprecise requirement. Settlements larger than an award in comparable cases decided by the Employment Relations Authority or the courts will be given greater scrutiny, and the public organisation will need to have good reasons for the amount. Good reasons for a comparatively higher payment might include the seniority of the employee, the effect of any publicity on all the people involved, the sensitivity of the dispute, and the value of certainty and speed of resolution. These factors can justify a higher settlement because the outcome is more advantageous than a judicial outcome.

A Council's Annual Report must:

- state the amount of any severance payments made in the year to any person who vacated office as Chief Executive of the Council;
- the number of employees of the Council to whom severance payments were made in the year; and
- the amount of every such severance payment.

References	Location
Credit Card Policy	D19/10
HR Policy	D19/9905
Asset Disposal Policy	D19/3278
IT Acceptable Use Policy	D17/18445[v1]
Wellbeing Strategy	D20/22832
Presentations to Elected Members and Staff Policy	D19/22992