

# Sensitive Expenditure Policy

## Overview

This document contains the framework and principles for QLDC elected members, employees, and contractors entering into and approving sensitive expenditure.

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## Introduction

**Purpose** The purpose of this policy is to provide elected members and managers with a clear framework for managing sensitive expenditure.

Queenstown Lakes District Council treats every individual employee with fairness in regard to sensitive expenditure.

**Scope** This policy applies to all elected members, employees and contractors of Queenstown Lakes District Council. The term “employee” will be deemed to mean all persons that are covered by this policy other than elected members.

*Explanatory note: volunteers are excluded from this policy as it is expected that volunteers will not have responsibility for approving or procuring goods and services*

**Definitions** **Approving Manager**  
An employee’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 employee(s)/or one or more guests, and the purpose of the expenditure is to represent the 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 the Council. Such functions must be sanctioned by the Chief Executive, or the relevant Senior Management Team member.

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### **Credit Card**

Includes vehicle fleet cards, purchase cards and equivalent cards used to obtain goods and services before payment is made.

### **Sensitive Expenditure**

Any Council expenditure that provides, or has the potential to provide, or has the perceived potential to provide a private benefit to an individual employee 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 the Council.

### **Associated documents**

Other documents that are relevant to the contents of this document are:

Type	Title
QLDC Corporate	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Protected Disclosure (Whistleblowers) Policy</li> <li>• Fraud Policy</li> <li>• Staff Expenses Policy</li> <li>• Receiving Gifts &amp; Hospitality Policy</li> <li>• Staff Recognition for Significant Events Guidelines</li> <li>• Leave Policy</li> <li>• Motor Vehicle usage</li> <li>• Purchase Card Policy</li> <li>• Procurement Policy</li> </ul>
Legislation	<ul style="list-style-type: none"> <li>• Local Government Act 2002</li> <li>• Local Authority (Members' Interests) Act 1968</li> </ul> <p><i>Note: Any legislation referred to should be interpreted as meaning the Act and its amendments.</i></p>
Other	<ul style="list-style-type: none"> <li>• Employment Agreements</li> <li>• QLDC Code of Conduct</li> <li>• Controller and Auditor-General's publication, Controlling sensitive expenditure: Guidelines for public entities</li> </ul>

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## ***Sensitive Expenditure Policy***

### **Policy**

#### **Principles and controls**

##### **1.1 Principles and Ethics**

Council spends public money and, as a consequence, all expenditure should be subject to a standard of probity and financial prudence expected of a local authority and be capable of withstanding public scrutiny.

Council is obliged to safeguard and use its resources in a responsible manner. Furthermore, elected members and employees 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 elected member or employee arising from certain expenditure categories, such as travel, accommodation, gifts and hospitality, the Controller and Auditor-General defines them as 'sensitive' expenditure.

The Council expects all employees involved in arranging, making or approving expenditure to:

- do so only for Council purposes (i.e. expenditure is consistent with the Long Term Plan or Annual Plan);
- exercise integrity, prudence and professionalism;
- not derive personal financial gain (unless a conflict of interest has been declared and the transaction is managed according to the procedure agreed in the declaration of the conflict of interest);
- act impartially;
- ensure the expenditure is moderate and conservative in the context of the given situation;
- ensure the transaction is made transparently;
- have read and adhered to this and other relevant Council policies (particularly the Conflicts of Interest Policy);
- are appropriate in all respects;

The Council's Code of Conduct policies identify the required behavioural standards for elected members and employees in all areas of their work. The above principles and Council policies should be applied comprehensively (i.e. no single principle or policy should be excluded).

During the budget setting process, senior managers should stipulate under which circumstances within their cost-centre(s) and at which levels, sensitive expenditure should be provided for.

##### **1.2 Deciding when sensitive expenditure is appropriate**

In deciding what appropriate sensitive expenditure is, elected members and employees need to take account of both individual transactions and the total value of sensitive expenditure.

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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 considered extravagant or wasteful.

### **1.3 Responsibilities of the Mayor, Councillors and General Managers**

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

### **1.4 Controls and judgement**

In the absence of a specific rule for a given situation, the Mayor, Councillors and SMT 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 SMT 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.

### **1.5 General controls**

All claims must be submitted promptly 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 the Council business.

Valid, original GST compliant 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.

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 (<\$20) when receipts are not available.

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### **1.6 Approval of sensitive expenditure**

Approval of sensitive expenditure must :

- only be given where the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met.
- be given before the expenditure is incurred, wherever practical.
- be made strictly within delegated authority.
- be given by a person senior to the person who will benefit or might be perceived to benefit from the expenditure, wherever practical.

Expenditure which is incurred (but not explicitly approved by Council) by elected members will be reviewed by the Mayor for compliance with this policy.

Expenditure by the Mayor which is incurred (but not explicitly approved by Council) will be reviewed by the Chairperson or Deputy Chairperson of the Audit and Risk Committee for compliance with this policy.

In the case of SMT the “one up” principle must be applied to the maximum extent possible. In the case of the Chief Executive, approval is required from the Mayor.

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### **Specific Areas of Expenditure**

#### **2.1 Council Purchase Cards**

If an employee has been issued a purchase card they may for Council's business purpose use the card at stores, over the phone and over the internet to purchase items <\$500 or within the specified monthly limit (unique to each card).

The purchase card and the card details, such as card number and expiry date is to be stored securely.

The use of the card is restricted to the employee assigned to its use.

Purchase Card owners need to operate from the purchase card policy which is made available when a Purchase Card is issued; this outlines QLDC's internal rules around the use and processing of Purchase Cards.

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

##### **a) Fleet Fuel Cards**

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

The person in the Operations team responsible for fleet management is to check monthly invoices for compliance.

#### **2.2 Travel and accommodation**

##### **2.2.1 General**

Elected members and employees 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, distance, time, urgency and personal health, security and safety considerations.

Domestic travel should be undertaken in a cost effective, practical and efficient manner. For example, travel to Invercargill or Dunedin is most efficient by car. Travel to Christchurch or the North 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.

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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. cell 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.

Employees 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 use of accumulated annual leave for employees).

Elected members, General Managers and other employees, with the express approval of the Mayor, Chief Executive or General Managers 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 employees for tipping while they are on business in New Zealand. Council will reimburse elected members and employees for moderate tipping during international travel only in places where tipping is local practice.

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.

### **a) Private Vehicle**

Generally Council will not pay for travel by private motor vehicle where travel by other means is more practical and cost effective.

Where the use of a private vehicle is approved for Council-related business, the employee 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.

Reimbursement for the use of private vehicles will be in accordance with the 'Staff Expenses Policy.'

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### **2.2.2 Air travel**

#### **a) General**

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

All air travel shall be booked through the appropriate administration support 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 where the uninterrupted flight time is 5 hours or less. Council will generally only accept an upgrade to business class if there is:

- a) no additional cost to Council; or
- b) the cost was covered by the person travelling; or
- c) where the distance or hours travelled, work schedule on arrival, or personal health, safety or security reasons make business class reasonable.

Under no circumstances will a person be authorised to travel first class.

#### Stopovers

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

#### Airline Loyalty Rewards

The person travelling by air will be permitted to accrue airpoints as long as there is no financial cost to Council. In considering this matter, attention will be paid to timetabling, personal health, safety and security considerations.

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

#### **b) International Travel**

Any proposed international travel on Council business, or for training or personal development of the Chief Executive at the cost of Council, must receive prior approval from the 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 employees (other than the Chief Executive), as long as the travel has been approved by the



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Chief Executive 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 Chief Executive upon their return detailing the benefits of the trip.

### **2.2.3 Meals and accommodation**

#### **a) Elected member and employees**

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 Chief Executive (in the case of employees) or the Mayor (in the case of the Chief Executive and elected members), prior to the booking being confirmed. In the case of the Mayor, expenditure is to be approved by the Chairperson or Deputy Chairperson of the Audit and Risk Committee.

Wherever possible, use is to be made of Council’s preferred suppliers and negotiated corporate rates. Where any employee chooses to stay in private accommodation, reimbursement will be made directly to the hosts.

Meal costs and minor incidentals incurred by elected members and employees will be met on a fixed *per diem* basis of \$65/day.

Other costs, such as parking, taxis etc. will be met on an “actual and reasonable” basis on production of receipts.

Accommodation check out times must be observed and Council will not meet any additional costs as a result of the employee failing to check out on time except in the case of extenuating circumstances.

### **2.2.4 Rental Cars and Taxis**

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.

Council expects the use of taxis 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.

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

### **2.3 Entertainment and hospitality**

Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to meals.

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

All entertainment and hospitality expenditure must be pre-authorised by the Mayor or Chief Executive 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. Refer also to Council's Receiving Gifts and Hospitality policy and Staff Recognition for Significant Events Guidelines.

### **2.4 Goods and services expenditure**

#### **2.4.1 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 elected members or employees. In any event, the sale of surplus assets must:

- Maximise the return to Council; and
- Be sold at no less than the market value determined by an appropriate valuation;

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

#### **2.4.2 Loyalty reward scheme benefits/prizes**

Except in the cases of airline loyalty rewards (covered under section 2.2.2) of this policy) and fuel loyalty schemes such as Fly Buys etc, Council treats loyalty rewards accruing to employees carrying out their official duties as the property of Council.

Where a reward/prize is obtained by chance and without inducement, it may be retained by the individual otherwise it will be the property of Council. Generally, prizes received from a free competition entry obtained while undertaking Council business are also considered a loyalty or reward scheme for the purposes of the Council policy.

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Exceptions are prizes received from competitions at training or conference events or through membership of professional bodies which are treated as the property of the individual. However where their value exceeds \$100 they are to be disclosed to the manager or supervisor in accordance with the Council's 'Receiving Gifts and Hospitality Register'.

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.

Refer also to Council's Receiving Gifts & Hospitality Policy for further information on receiving gifts.

### **2.4.3 Private use of Council assets**

#### **a) 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 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 on the intranet.

Personal use of telephones is permitted in limited circumstances. Details of personal toll calls made by employees on council phones are to be provided to the Accounts Payable Officer who will advise the employee of the cost of the call.

Payment for personal photocopies and toll calls must immediately after use. If the cost of the photocopying or the toll call is more than \$10, payment must be made to Customer Services and coded to employee purchases. If the cost of the photocopying or toll call is less than \$10, the employee may make payment to Customer Services.

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

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

#### **b) Council Vehicles**

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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 Council's Vehicle Use Policy.

### **2.4.4 Private use of Council suppliers**

Council does not generally support the private use of Council suppliers by employees, but recognises that employees may wish to utilise such suppliers. Employees are to exercise moderation in their use of any preferential access to goods or services through a Council supplier.

Employees must not put private purchases on account.

### **2.4.5 Council use of private assets<sup>1</sup>**

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 acquired it directly. Examples include private motor vehicles, private cell phones and private computers.

Pre-approval by the Chief Executive or General Manager is required. In assessing the request the Chief Executive or General Manager will pay particular attention to the principles of a justified business purpose and preserving impartiality and integrity.

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

## **2.5 Employee support and welfare expenditure**

### **2.5.1 Clothing**

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

### **2.5.2 Care of dependants**

The Chief Executive may authorise in exceptional circumstances the reimbursement of actual and reasonable costs in relation to the care of dependents. Some possible examples are when the employee is unexpectedly required to perform additional duties at very short notice, or a dependant unexpectedly requires additional care that the employee

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<sup>1</sup> The main issue associated with Council's use of private assets is to avoid Council paying or reimbursing amounts that inappropriately benefit the provider of those assets (or could create any perception to the same effect).

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cannot provide because of the essential nature of their duties at the time. In all other instances care of dependants is to be treated as a personal and private expense of the employee.

### **2.5.3 Financing Social Club activities**

Council may make a prudent and reasonable monetary contribution to the Staff Social Club. The contribution may be a grant or subsidy for a specific event or item.

### **2.5.4 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 Staff Recognition for Significant Events Guidelines.

### **2.5.5 Professional Memberships**

Membership to a professional body is sensitive expenditure due to its personal nature.

Payment of professional fees by Council on behalf of an employee must be:

- approved by the General Manager or Chief Executive in the case of employees. In the case of the Chief Executive or elected members, the Mayor is required to give approval;
- clearly relevant to the performance of the employee's duties and responsibilities;
- for the employee alone and is not to cover members of their family or other persons;
- 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;
- for the benefit of the Council and are not intended to be a personal benefit to employees, and accordingly are not liable for Fringe Benefit Tax;
- cancelled or transferred to an appropriate employee if the employee's employment with the Council is terminated, via resignation or otherwise;
- refunded directly to the Council if the membership is cancelled.

## **2.6 Other types of sensitive expenditure**

### **2.6.1 Donations & Koha**

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A donation or a 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:

- Lawful in all respects:
- Disclosed in aggregate in the Council's annual report:
- Made to a recognised organisation by *normal commercial means* (not to an individual):
- Not in cash (except as a koha and with the express approval of the Chief Executive):
- Non-political (i.e. politically neutral).

The amount given on behalf of Council should reflect the occasion and the prestige of Council in its relations with Tangata Whenua and be approved by the Chief Executive or relevant General Manager.

### **2.6.2 Gifts**

With the exception of Long Service awards, the giving of gifts up to \$300 requires the approval of the Chief Executive. Any gift over this amount requires the approval of the Chief Executive and/or Council.

The giving of gifts must be appropriate, transparent and reasonable. Refer to Staff Recognition for Significant Events Guidelines.

The receiving of a gift is not strictly sensitive expenditure but it is nevertheless a sensitive issue. Employees accepting gifts in their employment capacity must ensure they follow the Council's Receiving Gifts and Hospitality Policy.

### **2.6.3 Communications Technology**

Refer to the Council's Mobile Phones Policy.