

Guidelines to be read in conjunction with Sensitive Expenditure Policy



Definitions

Entertainment expenses means expenditure on food, beverages, tickets for events and related supplies for events, involving one or more Council employee(s), Elected Member(s) or one or more guests, where the purpose of the expenditure is to represent the Council or provide reciprocity of hospitality or build business relationships in pursuit of the Council's goals.

Credit cards has the normal meaning, but should also be read as applying to vehicle fleet cards, purchase cards, and equivalent cards used to obtain goods and services before payment is made.

Sensitive expenditure means an 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 the Council that could be considered unusual for the Council's purpose and/or functions. Travel, accommodation, purchase of gifts, entertainment expenses and hospitality are examples of sensitive expenditure.

1. Specific areas of expenditure

1.1 Council credit cards

Using credit cards is not a type of sensitive expenditure, but is a common method of payment.

1.1.1 Conditions of card use

The Council has credit cards which are issued to Council officers who, in the course of their duties, are frequently required to pay for goods and services on demand eg the Chief Executive and General Managers. Cards subject to specific purchasing profile restrictions may be issued to officers who undertake regular procurement functions. Cards should be used for making small purchases where it is uneconomic to write a full purchase order and process a full invoice through the creditors system and also for online purchases.

The conditions for card use are:

- a) The limit for expenditure will be set at levels relevant to the card holder's position.
- b) Credit card statements will be paid monthly by the Council.

- c) In support of the credit card statement, the officers will supply all relevant documents (receipts, invoices etc.) before due date.
- d) Credit card statements are to be certified by the card holder's approving manager.
- e) The Chief Executive's credit card statements are to be certified by the Mayor and vice versa.
- f) The Chief Financial Officer will audit statements on a random basis.
- g) The use of a credit card for private purchases is prohibited.
- h) Credit cards should not be used to obtain cash advances.
- i) Any misuse of a credit card will be investigated by the Chief Financial Officer and the employee's manager and may result in disciplinary action being taken.

1.1.2 Internet purchases using credit cards

Credit card payments over the internet need to reflect good security practice, such as purchasing from only established reputable companies known to the Council. The card holder needs to keep a copy of any online order forms completed when purchasing, and purchasing by credit card over the internet needs to be consistent with the Council's normal purchasing controls.

1.2 Cash advances

In instances where an employee does not have a Council credit card, but is required to travel to undertake Council business, the Council may provide the employee with a cash advance. Where an advance is provided, expenditure should be properly documented and accounted for and the balance of the advance reconciled and banked in the Council's account.

1.3 Fleet fuel cards

Fuel cards are provided for each Council-owned vehicle for the purpose of refuelling the fleet vehicle. When purchasing fuel, at designated service stations, the driver of work related vehicles must provide the station attendant with the current odometer reading. Vehicles with full private use are not required to provide odometer readings. The Fleet Manager will check monthly invoices for compliance.

1.4 Travel and accommodation

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.

1.4.1 General

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 whether a rental, private vehicle or a Council fleet vehicle are the responsibility of the driver. This clause does not include any offences in relation to a warrant of fitness, registration or aspect of the Council's fleet vehicle condition outside of the driver's control.

Any fuel loyalty reward scheme points collected by an employee whilst on Council business belong to the employee.

Council vehicles may be provided to management staff explicitly under a remuneration arrangement; details of their use are contained in the Council's **Management Policy for Private Use Vehicles**.

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. The Council will not fund any costs associated with private travel or annual leave (other than use of accumulated annual leave for employees).

Elected members and 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 the Council and the private travel is only incidental to the business purpose of the travel.

The travel cost of accompanying spouses, partners or other family members are a personal expense and will not be reimbursed by the Council.

However, on occasions where the spouse/partner of the Mayor is invited or expected to attend civic events outside of the District (eg visits to Tamworth, Australia or the Local Government New Zealand annual conference), then the reasonable costs of travel, accommodation and meals will be met by the Council.

With the exception of Tamworth, any international visits must be pre-approved by resolution of the Council.

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

1.4.2 Private vehicles

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

Employees are expected to always use a Council vehicle for Council business if one is available. Pre-approval to use a private motor vehicle for Council business must be obtained in all instances where reimbursement from the Council is to be claimed.

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.

Elected members and employees are required to complete and sign an expense claim based on distance travelled for use of a private vehicle, with reimbursement being at the prevailing rate set by the IRD.

1.4.3 Rental vehicles and taxis

The Council requires that the most economical type and size of rental car to be used, consistent with the requirements of the trip.

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

Private use of a rental car should not be permitted except in an exceptional circumstance which requires the express approval of a General Manager or the Chief Executive. The elected member or employee shall reimburse the Council for any additional cost associated with the private use.

Council vehicles (provided outside remuneration arrangements) are not available for private purposes.

1.4.4 Air travel

As far as 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 is to be booked through the Administration Manager 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 five hours or less. The Council will only accept an upgrade to a higher class if there is:

- a) no additional cost to the 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 a higher class reasonable.

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

1.4.4.1 Airline loyalty rewards

The person travelling by air will be permitted to accrue airpoints as long as there is no financial cost to the 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 the Council incurring additional costs.

1.4.4.2 International travel

If international travel costs are competitive with domestic rates, employees may travel to Australia for the purposes of training and personal development with the approval of the Chief Executive.

1.4.5 Meals and accommodation

Wherever possible, use is to be made of the Council's preferred suppliers and negotiated corporate rates. Where meals are required while travelling, "actual and reasonable" meal expenses may be claimed which may include one or two alcoholic drinks. Claims need to be supported by receipts.

The Council will not pay for separate meal expenses if a meal is provided as part of another package paid by the Council.

Accommodation should be moderate, cost effective and appropriate to requirements, taking into account location, standard, safety and security.

The Council will not pay for alcoholic beverages from the mini-bar.

The Council will not pay a daily allowance to an employee where that employee chooses to stay privately.

1.5 Entertainment and hospitality expenditure

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

Claims for reasonable levels of entertainment and hospitality for approved business occasions may include reasonably priced and appropriate levels of food and alcohol. The claim must identify the purpose of the expenditure and who attended.

It will usually only be for one or more of the following purposes:

- a) building relationships;
- b) representing the organisation;
- c) reciprocity of hospitality where this has 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;
- d) recognising significant business achievement; and
- e) building revenue
- f) Special occasions

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

1.6 Goods and services expenditure

1.6.1 Sale of surplus assets

No assets will be sold directly to employees or elected members.

Where the Council runs a public tender process for the disposal of surplus assets, employees and elected members may participate in the tender as a member of the public.

1.6.2 Loyalty reward scheme benefits

Airline loyalty rewards are covered under section 1.4.4.1 of these guidelines and fuel loyalty schemes are covered under section 1.4.1 of these guidelines.

Other loyalty rewards and prizes are considered property of the Council, with the exception of prizes received from competitions at training or conference events or through membership of professional bodies. These 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 situations where receiving a prize or loyalty reward could be perceived as inappropriate, even if the Council rather than the individual would benefit from it, the Council expects the prize or reward to be declined.

1.6.3 Private use of Council assets

Any physical item owned, leased, or borrowed by the Council is considered an asset, including photocopiers, stationery, telephones, cell phones, and internet access. Assets should not generally be used for private use unless:

- a) It is approved by the relevant manager,
- b) The borrower is trained in the equipment's proper use,
- c) There is no impact on the Council's ability to attend to its operational needs and,
- d) Any damage sustained is the sole responsibility of the user to repair or replace.

Private use of IT and office equipment is provided for in the Management **Policy on Information Technology and Telecommunications**.

1.6.4 Council use of private assets

Reimbursement for Council business use of personal assets may from time to time be approved for reasons such as cost, convenience and availability and where the Council would not fully use such an asset if it acquired it directly. Examples include private motor vehicles, private cell phones, home telephones and computers.

Employees must not approve or administer payment to themselves for use of their assets; and managers approving such payments must ensure the principles of justified business purpose, impartiality and integrity are applied.

1.6.5 Private use of Council suppliers

Employees and elected members are not permitted to make private purchases of goods and services using the Councils account, or to benefit from the Council's purchasing power.

In rare circumstances, the Council may cover expenditure with a personal component ie travel or accommodation booking. In this case payment to the Council for the personal component must be made on the confirmation of the cost or receipt of the invoice from the supplier.

This restriction does not extend to any general offers to employees or elected members made by banks or insurance companies, as long as the offer does not differ materially from arrangements that entity would make to any other business or individual.

1.6.6 Staff support and welfare expenditure

1.6.6.1 Clothing and grooming

Other than uniforms and health and safety-related clothing, employees and elected members will not be clothed or groomed at public expense when they are engaged in normal business activity (whether at home or abroad).

1.6.6.2 Financing social club activities

The Chief Executive will be responsible for considering any request by the social club for a contribution or payment.

1.6.6.3 Care of dependants

The Chief Executive may authorise in exceptional circumstances the reimbursement of actual and reasonable costs in relation to the care of dependants. 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 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.

1.6.6.4 Farewells and retirements

Expenditure on farewells and retirements should not be extravagant or inappropriate to the occasion and are to be pre-approved at an appropriate level of management. They must be moderate and conservative.

It is not expected that formal farewell functions paid for by the Council will be held for staff with less than five years of service.

1.6.6.5 Sponsorship of employees or others

Employees taking part in an activity that is not part of their job, such as a sporting event, may be sponsored by the 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 goals, and organisational development. The cost to the Council should be moderate and conservative.

Sponsorship of non-employees should be considered by the Council as part of the annual plan grants process.

1.6.6.6 Professional memberships

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

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

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

1.7 Other types of expenditure

1.7.1 Donations

As a general principle, the Council does not make donations.

However, on rare occasions where a donation is approved it must be disclosed, consistent with the Council's goals, lawful, non-political, appropriate in size to the circumstances, and should not result in any counterpart obligation. It should be to a recognised organisation rather than an individual, and be by normal commercial means (eg cheque rather than cash).

1.7.2 Koha

Koha is a gift, a token, or a contribution given on appropriate occasions. The amount given on behalf of the Council should reflect the occasion and the prestige of the Council in its relations with Tangata Whenua and be approved by the Chief Executive or relevant General Manager.

1.7.3 Gifts

Gifts may be given on appropriate occasions.

The giving of gifts up to \$100 requires the approval of the relevant General Manager. Any gift over this amount requires the approval of the Chief Executive in relation to staff, and by the Mayor for Elected Members. The giving of gifts must be modest, appropriate, and conservative, having a justified business purpose and which would not be seen by others as an inducement or a reward.

In the instance where the gift for the departure of a very long-serving staff member (15+ years), a more expensive gift may be appropriate to recognise their significant contribution to the Council. For scenarios such as this, it is recommended that the approval be requested from Councillors.

The receiving of a gift is not strictly sensitive expenditure but it is nevertheless a sensitive issue and needs to be transparent to ensure it does not affect the Council's decision making, as this could be perceived as compromising its impartiality or integrity. Guidelines for the receiving of gifts are outlined in the Council's **Gifting and Hospitality Policy**.

Reviewed by the Audit and Risk Committee at its meeting held on 21 September 2022. It was endorsed and adopted by the Gore District Council at its extraordinary meeting held on 6 October 2022 and became effective from that date.