



Mackenzie
DISTRICT COUNCIL

Mackenzie District Council

Sensitive Expenditure Policy

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“Fostering Our Community”

SENSITIVE EXPENDITURE POLICY

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: Guideline for public entities" (February 2007). The policy has also been revised to align against the guidelines published on https://www.oag.govt.nz/good-practice/sensitive-expenditure .
Key Points	Mackenzie District 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.
Scope	This policy applies to all Mackenzie District Council employees and elected officials whether they are on a casual, fixed term, permanent or a collective employment agreement except for those items of sensitive expenditure specifically provided for by employment agreements.
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RELATED DOCUMENTS / WEBSITES

Related Council policies and strategies include:

- Fraud Policy
- Code of Conduct
- Delegations Manual
- Risk Management Policy
- Conflict of Interest Policy
- Protected Disclosures Policy
- Procurement Policy
- Elected Members Reimbursement of Expenses Policy
- Purchase Cards Policy

Relevant legislation and other resources includes (but is not limited to):

- Local Authorities (Members' Interests) Act 1968
- Local Government Act 2002 (s.100 and 101)

1. Definitions

Sensitive expenditure: Any council expenditure by Council that provides, has the potential to provide, or has the perceived potential to provide a private benefit to an individual Council officer that is additional to the business benefit to Council of the expenditure. It also includes expenditure by Council that could be considered unusual for Council's purpose and/or functions. In plain English, this is any expenditure that could be perceived as wasteful or extravagant use of ratepayer funds.

Supplier: Means a current or potential provider of goods or services to Council.

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

Approving Manager: An employee's line manager or a manager higher in the financial delegation approval hierarchy.

Conflict of Interest: Any situation in which a private interest or personal considerations may affect, or could be perceived to affect, an employee or elected member's judgement and/or ability to act in the best interest of MDC.

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 Executive Team member.

2. Principles

The Controller & Auditor-General's guide states because councils are dealing with "public money" expenditure should be subject to the standards of probity and financial prudence expected of a public entity. These expectations are higher than those that exist in the private sector.

MDC 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.

Approval of sensitive expenditure should be:

- given only when the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met;
- given before the expenditure is incurred, wherever practical;
- made within any statutory limits on Council's delegations;
- 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.

General principles for expenditure decisions are that the expenditure must:

- be cost-effective;
- preserve impartiality;
- be made with integrity;
- be moderate and conservative, having regard to the circumstances;
- be transparent;
- be appropriate.

All expenditure must be in accordance with the Procurement Policy to ensure purchasing decisions are consistent, fair, transparent, lawful, and deliver value for money.

All expenditure must be in accordance with the Delegations Manual to ensure staff and elected members act within delegated authority.

Authorised staff members will make decisions on and/or payment for each item of sensitive expenditure.

They will need to exercise careful judgement in accordance with these principles and this policy. This will always be about balance in the particular context.

Expenditure must not be motivated by the potential for individual benefit.

Health and safety will be a consideration when cost-effective options for expenditure are being evaluated. For example, ensuring that staff and elected members are able to travel safely during winter months may incur additional expenditure.

2.2 Exercising Judgement

The responsibilities of the Mayor, Councillors and Executive Team include being accountable for the proper and prudent spending of public money. This includes sensitive expenditure and the supporting internal controls, such as adherence to this policy.

In the absence of a specific rule, Council staff and elected members must exercise good judgement by taking into account the principles of this policy and the context of a given situation.

3. Policy

3.1 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.

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, MDC could be considered extravagant or wasteful.

3.2 Responsibilities of the Mayor, Councillors and General Managers

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

3.3 Controls and judgement

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

3.4 General controls

All expense 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 MDC 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 expense claims must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim. All expense claims for minor expenditure (under \$50) must document the date, amount, description, and purpose when receipts are not available.

3.5 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 as outlined in the Principles section above;
- 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 General Manager Corporate Services for compliance with this policy and authorised by both the Chief Executive Officer and the Mayor.

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

In the case of the Executive Team, 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 or chair of the Audit and Risk Committee.

3.6 Review of sensitive expenditure

Sensitive expenditure is a standing agenda item for the Audit and Risk Committee. The General Manager Corporate Services will review sensitive expenditure and will report any instances of non-compliance with this policy to the Audit and Risk Committee.

4. Specific Areas of Expenditure

In general, reasonable expenses will be met for unexpected events, e.g. overnight expenses due to a cancelled plane flight. However discretionary entertainment expenses such as movies or personal internet access will not be reimbursed by Council.

All charges for Council business-related telephone calls, faxes, email and internet access made by an employee or elected member while travelling on Council business will be reimbursed according to the Elected Members Reimbursement of Expenses Policy.

Where travel arrangements are extended to accommodate an employee’s or member’s personal arrangements, all costs in addition to those that would be expected for the business component of the trip are the responsibility of the staff member or elected member.

4.1 Use of Credit Cards

The use of credit cards is not in itself a form of sensitive expenditure. However, credit cards are a common method of payment for such expenditure. This policy is designed to minimise the risks associated with the use of credit cards, namely:

- inappropriate business-related expenditure (in both quantity and type);
- obtaining cash for a business purpose (with subsequent expenditure being poorly documented or justified);
- for personal benefit, by obtaining cash or paying for personal items.

The issue of credit cards to the Mayor and Council staff is authorised under Council’s Delegations Manual. The Chief Executive will approve any staff credit card expenditure, the Mayor will approve the Chief Executive’s credit card expenditure, and the Mayor’s credit card expenditure will be approved by the chair of the Audit and Risk Committee. The General Manager Corporate Services will also approve expenditure of credit cards held by the Creditors Officer and the Executive Assistant.

All credit card transactions must be supported by original documentation to explain and corroborate transactions. The business reason and other parties (if any) must be recorded along with the purpose of the meeting for all entertainment and travel transactions.

Credit card use is monitored monthly by the Chief Executive. Items purchased must be coded by the card holder for entering in the accounting system. Credit card payments must be authorised like other invoices and in accordance with Council's Procurement Policy.

On the card holder's termination of employment, the Finance Manager will arrange with the bank to cancel the card. The credit card must be returned to the Finance Manager, who will ensure it is physically destroyed.

The use of Council credit cards for private expenditure or credit is prohibited. Please refer to the Purchase Cards Policy for further details.

Credit cards may not be used for cash advances unless:

- cash is required in an emergency (usually related to travel on Council business);
- cash is required for official purposes (in rare circumstances) and has prior approval.

Credit card payments made online need to reflect good security practice as per below:

- purchase only from established and reputable companies;
- the card holder must retain a copy of the online order form and invoice to support the payment;
- on-line purchases must comply with Council's Procurement Policy.

4.2 Employee Personal Discount Cards

If an employee has been issued a personal purchase card under the MDC Staff Benefits Plan they may use the card at stores, over the phone and over the internet to purchase items within the specified monthly limit and terms of the card provider.

The use of the card is restricted to the employee assigned to its use and the balance on the card at the end of each month must be paid in full by the 20th of the following month.

Failure to comply may cause the card to be withdrawn and/or payment of any outstanding balance to be deducted from the employee's wages.

4.3 Travel and accommodation expenditure

Elected members and Council staff may incur travel and accommodation costs while conducting Council business elsewhere in New Zealand or overseas. The principles of a justified business purpose, moderate and conservative expenditure, are particularly relevant for travel and accommodation expenditure.

Travel and accommodation expenditure for elected members must be in accordance with Council's Elected Members Reimbursement of Expenses Policy.

4.4 Air Travel

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

- Air travel is to be booked by the Executive Advisor.
- Flights may be booked to leave the night before an event if it is considered reasonable to do so.
- Discounted economy or economy class and/or a discount airline must be the first choice provided that they meet business objectives, unless the need for flexibility can be justified.
- Council payment for membership of airline travel clubs e.g. Koru Club requires the approval of the Chief Executive. Membership must be supported by a clear business purpose and reviewed annually.
- Air points - Provided the use of carriers supplying air points does not result in Council incurring additional costs, air point rewards accruing to staff and elected members carrying out their official duties may be kept by the staff or elected member.

4.5 Accommodation

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. The guidance is for mid-tier priced accommodation to be booked. Exceptions to this must be fair and reasonable and take into account the location of the accommodation relative to the event, the standard of the accommodation and security issues.

- Accommodation is to be booked by the Executive Assistant.
- The indicative maximum amount to be spent on accommodation is \$250 (including GST) per night. Those booking accommodation are expected to look for the most cost-effective option.
- Where accommodation is greater than \$250 per night for Council employees, one-up approval is required before booking the accommodation.
- In the case of accommodation expenses by Elected Members exceeding the \$250 per night (including GST) threshold, a fair and reasonable explanation of the need for the more expensive accommodation must be able to be substantiated. These expenses are to be reviewed by the chair of the Audit and Risk Committee.
- Accommodation check-out times are to be observed. In the absence of extenuating circumstances, any additional costs as a result of failing to check out in time are the responsibility of the staff member or elected member.

4.6 Food and beverage

Council will pay for a maximum of one beverage per meal (non-alcoholic, with the exception of a single beverage with an evening meal which may be alcoholic or non-alcoholic), which must be clearly identifiable on receipts supporting the expenditure. Minibar costs will not be reimbursed by Council.

Reasonable meal costs will be met. In general, the total cost (including beverages) is not expected to exceed:

- Breakfast - \$30.00
- Lunch - \$30.00
- Dinner - \$60.00

Separate meal expenses will not be met where a meal has been provided as part of the meeting, conference, training, etc.

4.7 Motor Vehicles and Taxis

4.18.5 Council Pool Cars

Where possible, employees and elected members are to use Council pool cars for reasonable distances of travel within the South Island. Council vehicles (except those provided under a remuneration arrangement) are not available for private use. Fuel cards are provided in each MDC-owned/leased vehicle only for the purpose of refuelling the fleet vehicle. The person in the Corporate Services team responsible for fleet management is to check monthly invoices for compliance.

Any fines (parking or traffic offences) incurred while using a Council vehicle are the responsibility of the driver (unless the fines relate to an aspect of the condition of the vehicle outside the driver's control).

Council employees and elected members should endeavour to return Council vehicles as soon as possible following the completion of use. However, where an employee takes a vehicle home for the night, the employee must inform the Finance Team that Fringe Benefit Tax applies.

4.18.5 Rental Cars

Employees and elected members must use the most economical type and size of rental car, consistent with the requirements of the trip. Rental cars are only available for business conducted outside the district.

Any fines (parking or traffic offences) incurred while using a rental vehicle are the responsibility of the driver.

Private use of a rental car is only permitted in exceptional circumstances and requires the approval of the Chief Executive. All additional costs as a result of private use are the responsibility of the employee or elected member.

4.18.5 Taxis

Taxis, in relation to this policy, includes any alternative form of 'taxi' available, such as Uber and Take Me. Council will pay for travel by taxi for staff and elected members away on Council business. Council expects the use of taxis to be cost effective relative to other transport options.

Where possible, shuttles should be utilised for transport to and from airports for reasonable distances where time permits (i.e. for shuttling from a hotel or event to the airport).

4.18.5 Private Vehicles

Pre-approval is required in order for staff to be reimbursed for the use of a private motor vehicle. Council will not normally pay for travel by private motor vehicle when travel by other means is more practical and cost effective. Staff are always expected to use a Council vehicle for Council business, if there is one available. Circumstances where the use of private vehicles may be considered appropriate include:

- the employee will be absent for a period of longer than 2 days;
- no pool cars are available (it is the responsibility of the employee to ensure pool cars are booked as soon as possible to avoid this circumstance).

The vehicle owner must ensure that 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.

All reimbursement claims for use of a private motor vehicle must be made on the appropriate form. Reimbursement will be made in accordance with the current mileage rates for employee reimbursement recommended by IRD.

Elected members will be reimbursed for mileage and travel time in accordance with the Elected Members Reimbursement of Expenses Policy.

4.8 Parking

Employees/elected members may utilise airport parking options. The most time- and cost- effective parking option must be utilised. The cost of parking will be reimbursed provided the purpose of the trip is for approved Council business.

4.9 Tipping

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

4.10 Private arrangements and stopovers

Employees and elected members may undertake private travel before, during or at the end of Council travel, provided there is no additional cost to the entity and the private travel is only incidental to the business purpose of the travel. If there are additional costs incurred (such as a difference in the cost of flights) these must be covered by the employee/elected member.

Any costs such as travel or accommodation for accompanying spouses, partners or other family members are a personal expense and will not be reimbursed by Council.

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

4.11 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 entry to sporting or cultural events. Four business purposes of entertainment and hospitality have been identified.

- building relationships;
- representing the organisation;
- 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;

- building revenue.

Supporting the Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure. This requires the approval of the Chief Executive. The principles of a justified business purpose, moderate and conservative expenditure are particularly relevant to Council. Council requires tight control of expenditure and transparent reporting.

4.18.5 Catering for meetings held internally

Where meetings are hosted internally by Council employees, external catering should only be provided where:

- external parties will be in attendance;
- the meeting extends over the lunch time period;
- approval has been obtained by an Executive Team member;
- elected members are present, such as for a workshop, working group, or Council meeting.

Supporting the Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure. This might include expenditure that promotes the health and wellbeing of employees.

All entertainment and hospitality expenditure must be pre-approved where possible and always supported by clear documentation. This documentation must identify the date, venue, costs, recipients and benefits derived and/or reasons for the event. If the expenditure is not pre-approved the most senior person present should approve and confirm the expenditure as being appropriate.

4.12 Disposal of surplus assets

Council will, from time to time, dispose of assets. Typically, this is when the assets have become obsolete, worn out or surplus to requirements. Council's disposals must be both transparent and fair.

Council will not dispose of assets to staff or elected members or related parties at a discounted rate if a greater net value is likely to be realised by an alternative method of sale.

The principles of preserving impartiality and integrity are particularly relevant. Council staff disposing of assets must not benefit personally from the disposal. To ensure transparency, fairness and receipt of best value for Council the disposal of assets shall be conducted on the open market or by way of trade-in on a replacement asset, unless the value of the assets are minimal (i.e. <\$500) or the Chief Executive has approved an alternative method of disposal.

Where disposal to officers or elected members is approved by the Chief Executive, the following principles shall apply:

- Officers involved in disposing of the asset shall not benefit from the disposal;
- All assets identified for disposal to officers shall be valued and subject to a tender or other process proportionate to the value of the asset.

4.13 Goods and services expenditure – loyalty reward scheme benefits

Loyalty rewards associated with transactions required to carry out Council duties are the property of Council. Individual staff members are not permitted to accrue loyalty rewards to their personal accounts. This excludes Air-Points schemes, which are covered under the "Air Travel" section of this policy.

In situations where receiving a prize or loyalty reward could be perceived as inappropriate, prize or rewards must be declined.

4.14 Use of Council & Private Assets

Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes photocopiers, telephones, cell phones, cameras, means of accessing the Internet, and stationery. The costs to Council of private use will be recovered, unless it is impractical or uneconomic to separately identify those costs.

The use of Council assets in any private business that any employee or elected member may operate is not permitted.

The main issue associated with Council's use of private assets is the risk of the Council paying or reimbursing amounts that inappropriately benefit the staff member or elected member. Therefore, pre-approval by an Executive Team member is required.

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.

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

4.15 Use of Council Suppliers

As Council employees may have access to some Council suppliers on the same basis as Council, they may receive preferential access to goods or services, and potentially at a preferential price, which is not available to the public. The risk is that the availability of the discount to staff will influence the choice of Council suppliers.

The selection of suppliers must be in the interest of Council. The availability or possibility of employee purchasing privileges must not factor into this selection.

Employees may make use of any preferential access to goods or services through Council's suppliers under the following conditions:

- The discount offered must be the same discount offered to all Council employees and not be particular to individual staff members.
- Discounted fuel is available to staff by way of Fuel cards which are issued to employees. The individual purchases are charged to employees on account and subject to normal credit terms and conditions.

In rare circumstances a Council order may include expenditure with a personal component, such as a travel or accommodation booking. In this case payment to Council for the personal component must be made on confirmation of the cost or the receipt of the invoice from the supplier, whichever occurs first.

Elected members may have preferential access to goods or services through Council suppliers on the same basis as staff, provided there is no real or perceived conflict of interest.

4.16 Donations & koha

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. MDC requires donations to be:

- Lawful in all respects;
- 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 or a General Manager);
- Non-political (i.e. politically neutral).

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

4.17 Gifts

Employees and elected members' impartiality and integrity must be maintained when receiving gifts. In all instances staff must inform their manager or supervisor that they have received a gift for service or appreciation.

The acceptance of any gift with a monetary value exceeding \$50 must have the express approval of the relevant General Manager for staff to retain it.

All gifts received with a monetary value exceeding \$50 shall be reported to the Executive Assistant and recorded on a register to be held by the Chief Executive. This includes tickets to events.

4.18 Employee support, wellbeing and welfare expenditure

4.18.1 Clothing

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

4.18.5 Care of dependants

The Chief Executive or a General Manager 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.

4.18.5 Financing staff engagement activities dependants

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

4.18.5 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.

4.18.5 Professional memberships

Membership to a professional body is sensitive expenditure due to its personal nature. Payment of professional fees by MDC 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 General Manager Corporate Services 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 MDC;
- for the benefit of MDC and not intended to be a personal benefit to employees, and accordingly not liable for Fringe Benefit Tax;
- in accordance with the employee's employment agreement;
- cancelled or transferred to an appropriate employee if the employee's employment with MDC is terminated, via resignation or otherwise;
- refunded directly to MDC if the membership is cancelled.

5. Policy Management

5.1 Clarification

Clarification regarding this policy can be sought from the Mackenzie District Council General Manager Corporate Services.

5.2 Breaches

The Mackenzie District Council Chief Executive Officer and General Manager Corporate Services are responsible for monitoring compliance with this policy. All identified breaches will be escalated to the CEO and General Manager Corporate Services and will be treated as misconduct which may result in disciplinary action.

5.3 Exceptions

The Mackenzie District Council General Manager Corporate Services (being the policy owner) or the Chief Executive Officer (being the policy approver) will need to authorise any deviations from this policy.