



Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5E:- Financial Systems and Procedures

In Part F:-

Section F1 contains the Member Code of Conduct

Section F2 contains the Member Planning Protocol

Section F3 contains the Officer Code of Conduct

Section F4 contains the Officer/Member Relations Protocol

This Section (F5) contains the Finance and Contract Procedure Rules that govern how the council manages its financial affairs. The Rules are split into the following eight parts:-

- **Part F5A** contains an introduction and overview to the principles of good financial management, the roles and responsibilities of Officers and Members and the various documents and processes that form the council's financial management framework.
- **Part F5B** Financial Management
- **Part F5C** Financial Planning
- **Part F5D** Risk Management and Control of Resources
- **This Section (F5E)** Financial Systems and Procedures
- **Part F5F** Contract Procedure Rules
- **Part F5G** Collaborative Working and ASDVs
- **Part F5H** Glossary



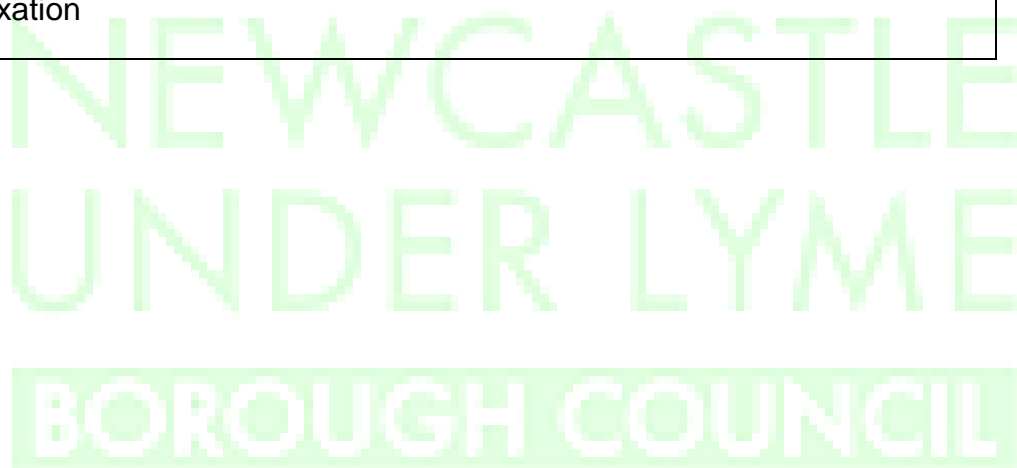
Part F – Appendices

Section F5:- Finance and Contract Procedure Rules

F5E:- Financial Systems and Procedures

In this Section:-

E1	Banking Arrangements
E2	Charging
E3	Trading
E4	Charging and Trading Policy
E5	Collection of Income
E6	Bad Debts
E7	General Principles - Ordering and paying for work, goods and services
E8	Payment of Invoices
E9	Non-invoice payments
E10	Credit cards
E12	Payment to Members
E13	Taxation





E1. Banking Arrangements

- E1.1 It is the responsibility of the Section 151 Officer to operate such bank accounts as are considered necessary. Opening or closing any bank account shall require the approval of the Section 151 Officer or their nominated deputy.
- E1.2 The Section 151 Officer will approve the terms under which banking services, including overdraft facilities, are provided.
- E1.3 All bank accounts must be titled impersonally with the prefix of Newcastle-under-Lyme Borough Council subject to any exceptions agreed by the Section 151 Officer.
- E1.4 Subject to any directions given by the Council, all arrangements with the council's bankers must be made solely through the Section 151 Officer. No bank accounts may be opened or arrangements made with any other bank except with the agreement of the Section 151 Officer.
- E1.5 Bank transfers, CHAPS payments and faster payments from the General Fund and the council's other main drawings accounts must be signed by the Section 151 Officer, or their nominated deputy.
- E1.6 Cheques drawn must bear the signature of the Section 151 Officer or be signed by other Officers authorised to sign by the Section 151 Officer.
- E1.7 No direct debits should be set up unless authorised by the Section 151 Officer.

E2. Charging

- E2.1 This section E2 applies to services that the Council has a power but not an obligation to provide ("discretionary services") and for which it is proposed to make a charge to recover all or part of the costs incurred by the Council in providing the services.
- E2.2 Service Directors are responsible for ensuring that legal advice is sought before introducing charging, in relation to legal powers, authorisation, Member engagement, consultation and related issues. The Service Director Legal and Governance should also be consulted before proceeding with a project that involves a new policy for charging for discretionary services or a variation on previous practice.



E3. Trading

- E3.1 This section (E3) applies where the Council proposes to provide services to third parties in the public sector and on a commercial basis.
- E3.2 The Council's approach to trading is one which is based on risk but which also empowers services and encourages external income generation. Business case approval from the Corporate Leadership Team must be obtained before trading and the business case will be reviewed by the Corporate Leadership Team not less than annually. Legal advice must be sought in advance in relation to trading with bodies that are not classed as public bodies within the meaning of the Local Authorities (Goods and Services) Act 1940.

E4. Charging and Trading Policy

- E4.1 Charges should be reviewed annually to ensure that they are still compliant with all the legal and financial requirements and increased annually where relevant. Charges must be based on the principle of full-cost recovery, unless there is a statutory limit on charges (e.g. planning fees) including all service and corporate overheads.
- E4.2 Any in-year variation of charges is to be approved by the relevant Service Director in consultation with the Portfolio Holder.

E5. Collection of Income

- E5.1 Officers must comply with arrangements determined by the Section 151 Officer for the safe and efficient collection and recording of all money due to the council.
- E5.2 Service Directors are responsible for ensuring that accounts for income due to the council, including grant claims, reimbursements and third party contributions, are raised immediately and accurately in a form approved by the Section 151 Officer. These must include VAT where appropriate.
- E5.3 The cost of collection should be taken into account when raising accounts. Service Directors must ensure that the method of collection is appropriate to the value of the transaction. Officers must endeavour to collect payment at point of service/sale wherever possible, especially for low value charges (e.g. under £100).
- E5.4 Service Directors are responsible for ensuring that all income received is receipted, where required, recorded correctly against the appropriate budgets, and



in the case of cash and cheques, banked with the minimum of delay. The frequency of banking should follow the guidelines provided by the Section 151 Officer to avoid incurring disproportionate banking charges on relatively low value transactions, taking into account local security and insurance cover arrangements.

- E5.5 Where a service wishes to collect income by electronic means (i.e. by debit card, credit card, contactless payments etc.) using an external service provider then prior to putting in place such arrangements the service will need to seek the approval of the Section 151 Officer in respect of the accounting procedures to be put in place for recording the income. In addition, the service will be responsible for ensuring that the external service provider meets the requirements of the Payment Card Industry Data Security Standards (PCI DSS) both when appointed and for all subsequent periods during which their services are being used.
- E5.6 Service Directors are responsible for monitoring income collection and ensuring appropriate recovery action is taken. A summary of the position on the level of outstanding debt and collection issues should be included in outturn reports. Full provision for income outstanding is made in service accounts. However, this should not preclude pursuit of the debt.
- E5.7 Credit notes must be authorised by appropriate Officers nominated by the Section 151 Officer.
- E5.8 Any receipts, tickets or other documents used as receipts should be in a format agreed by the Section 151 Officer.
- E6. Bad Debts**
- E6.1 The council has a corporate debt recovery policy with the guiding principle that customers have a responsibility to pay amounts that have been properly assessed as being due. The council is committed to using the most appropriate and effective recovery methods available to it and does so in accordance with its approved debt policy and debt recovery code of practice.
- E6.2 In certain circumstances, and for justifiable reasons, it will be necessary to classify some debts as irrecoverable and to recommend that they be written off.
- E6.3 The Section 151 Officer (or their nominated deputy) and the Service Director Legal and Governance are authorised to write off any value of debt where there are



reasons that prevent the Council from attempting any further recovery action. These reasons are usually as follows:-

- a) the debtor has been declared bankrupt or has entered into insolvency arrangements
- b) the debtor has gone into liquidation
- c) the debtor has had their debt remitted by the Court
- d) the debtor has been granted a Debt Relief Order for the debt
- e) the debtor is deceased and there is evidence of no estate

E6.4 Debts that are being written off for a reason other than those listed in D6.3, must be approved in accordance with the following limits:-

Approval level	Value of Disposal
Section 151 Officer	Up to £5k
Section 151 Officer in consultation with the relevant Cabinet Member	5k< to £10k
Cabinet	£10k<

E6.5 Service Directors are responsible for ensuring that an adequate provision for bad debt is made in the Council's accounts at year-end and that contributions to this provision are included in budgetary projections and outturn reports.

E7. General Principles – Ordering and Paying for Goods and Services

E7.1 Service Directors are responsible for ensuring all required processes are followed to enable the prompt and accurate payment for goods and services provided and for the analysis of expenditure.

E7.2 Except for purchases by credit card, or where an exception has been agreed in accordance with D7.9, all purchases must be supported by an official requisition and purchase order unless previously agreed with the Section 151 Officer. No payment will be made unless there is an official purchase order. All purchases,



including by credit card, must have regard to the Finance and Contract Procedure Rules.

- E7.3 All requisition and purchase orders must be authorised in accordance with the relevant financial scheme of delegation. All requisition and purchase orders must be raised within and relate to the current financial year, with the exception of the dual year posting period.
 - E7.4 All official purchase orders must include, as a minimum, the order number, the price agreed with the supplier, description of the goods or services to be provided, the delivery address, the address where invoices must be received and the terms and conditions for the goods and services to be provided.
 - E7.5 Service Directors must ensure that there is adequate separation of duties in the raising and authorisation of requisitions, authorising of purchase orders, receipt of goods and authorisation of payments to creditors.
 - E7.6 Service Directors must ensure robust processes to continually maintain service HR records and schemes of delegation so that electronic workflows associated with core financial systems are not compromised.
 - E7.7 All purchasing activity must be carried out in accordance with the council's procurement strategy and advice issued about efficient and effective use of the council's core financial and e-procurement systems and processes. Such processes will include the deployment of credit cards. Invoices received for payment must comply with the council's best practice processes.
 - E7.8 Approval of the Section 151 Officer must be sought in advance of entering into any supply agreement with a commercial creditor who has not been set up on the Council's core financial system.
 - E7.9 Service Directors must consult the procurement team on appropriate arrangements for purchases of goods and services that cannot be accommodated within standard ordering and payment processes.
- E8. Payment of Invoices**
- E8.1 All invoices must be sent directly by the creditor to the address stated on the official purchase order to enable prompt payment. Unless there are exceptional circumstances, all creditor invoices should be sent to the finance team.



E8.2 All invoices, as a minimum, must include:-

- a. the official purchase order number
- b. the name and address of the council (as customer)
- c. an invoice number
- d. the description of the goods or services provided
- e. the quantity delivered
- f. the delivery address
- g. the date of the invoices and/or date of delivery of the goods or services
- h. the address and VAT registration number of the supplier and the net price
- i. the amount of VAT charged at the prevailing rate(s) and the total amount charged
- j. any discount for prompt payment.

E8.3 Invoices received without a valid purchase order number will be returned to the creditor as unauthorised for payment.

E8.4 The Council's standard payment terms are between 10 and 30 days from receipt of a correct invoice by BACS (Bankers Automated Clearing System). Alternative terms may not be negotiated or agreed with suppliers without the explicit approval of the Section 151 Officer. Service Directors are responsible for notifying suppliers of these terms and for ensuring that they are observed by all those involved in the purchasing and payment processing.

E8.5 Payment will only be made for goods and services which have been formally receipted in accordance with receipting procedures set out by the Section 151 Officer.



E9. Non-invoice Payments

- E9.1 Where Service Directors wish to initiate a payment to a third party without a supporting invoice, an official request for payment must be submitted to the Section 151 Officer. Non-invoice payments should be requested on an exceptional basis only. Where payments of this type need to be made on a regular basis, Service Directors must consider, in conjunction with the finance team, other alternative options that may be more appropriate.
- E9.2 Any such requests must be authorised by the Section 151 Officer who is responsible for ensuring that all payment details provided are accurate and that supporting records and documentation are available to substantiate the payment, including an official VAT receipt to allow for the reclaim of any VAT element. A pro-forma invoice, a request for payment, a supplier statement and a credit card voucher are NOT official VAT receipts.
- E9.3 Appropriately authorised requests for payment will be processed by the Section 151 Officer and paid by BACS. Cheques will only be used in exceptional cases and by prior agreement.
- E9.4 Payments or reimbursements in respect of salaries and wages, travelling expenses or other employment allowances must be processed through the Payroll system and not treated as a non-invoice payment.

E10. Credit Cards

- E10.1 The Council operates a scheme that offers Officers the flexibility to procure goods and services with a credit card.
- E10.2 Service Directors are responsible for the appropriate deployment and management of credit cards within their service. Further guidance on the use of credit cards is available on the council's intranet site.
- E10.3 The credit card procedure sets out the terms, processes and procedures under which the scheme operates. It is important that when the card is used, it is used to purchase appropriate items only. The card should be used for low value, low risk purchases and not be used to bypass the Finance and Contract Procedure Rules.
- E10.4 Council credit card spend is under constant scrutiny down to line level detail. Credit cards should be used for official purposes only. All spend will be reviewed



internally on a regular basis with a report issued to Corporate Leadership Team every 6 months.

E11. Payments to Members

E11.1 The Section 151 Officer is responsible for paying all allowances and duly authorised expenses to Members.

E12. Taxation

E12.1 It is the responsibility of the Section 151 Officer to:-

- a) complete all Inland Revenue returns regarding PAYE
- b) submit the Council's VAT return to HMRC each month and complete a monthly return of VAT inputs and outputs to HM Revenue and Customs
- c) provide details to HM Revenue and Customs regarding the Construction Industry Tax Deduction Scheme
- d) maintain up-to-date guidance for Council employees on taxation issues

E12.2 It is the responsibility of Service Directors to:-

- a) ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations
- b) ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements
- c) ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency
- d) follow the guidance on taxation issued by the Section 151 Officer